FINANCIAL TIMES

World Business Newspaper

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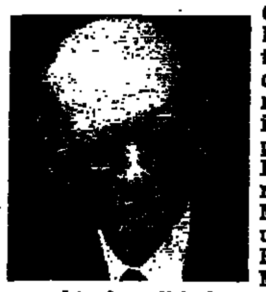
More than 250 die as aircraft crashes in Zairean capital

At least 250 people are believed to have died when a cargo aircraft failed on take-off from Kinshasa airport and ploughed through a crowded market in the Zairean capital. Many of the dead were women and children. The aircraft's four Russian crew survived and were taken for questioning by police.

Rift in German metal industry talks: Germany's metal industry employers and unions failed to reach agreement on a radical proposal for an increase of 330,000 new jobs in the industry in return for holding wage rises in check. Further talks will take place on January 18. Page 14

Pressure builds for Papandreou to quit



Greece's conservative New Democracy opposition party proposed a censure motion in parliament in an effort to increase pressure on prime minister Andreas Papandreou, left, to resign. Opposition leader Miltiades Evert said deputies in the governing Panhellenic Socialist Movement should "put an end to the political vacuum" caused by the prolonged illness of the 76-year-old premier, who is on a life-support machine after contracting pneumonia in November. Page 3

Vietnam insurance breakthrough: Commercial Union of the UK and Japan's Tokio Marine and Fire Insurance are to set up the first foreign insurance joint venture in Vietnam. Advertising in Vietnam, Page 12

Israeli security chief quits: The head of Shin Bet, Israel's domestic security agency, resigned. The official first submitted his resignation after the assassination in November of prime minister Yitzhak Rabin. Page 8

Turkish talks seek new government: Formal consultations aimed at forming a new Turkish government begin today between President Süleyman Demirel and party leaders. Page 2

Jobs top CSU agenda: Germany's Christian Social Union, Bavarian sister party of the Christian Democratic Union joined the other parties in putting unemployment and European monetary union at the top of its political agenda. Page 3

Orange operator nearer float: Hutchison Telecom, operator of the UK's Orange mobile phone network, came a step closer to flotation when it was disclosed a bank syndicate had been formed to underwrite a £2bn ($3.1bn) initial public offering. Page 15

Guatemala poll: Pro-business candidate Alvaro Arzu took the lead in Guatemala's presidential elections ahead of populist rival Alfonso Portillo. Page 6

Nissan, Japan's second-largest carmaker, will be supplied with brake parts by Aisin Seiki, a company in which rival carmaker Toyota has a 22 per cent stake. The deal highlights the loosening of traditional Japanese business ties. Page 15

Nynex cuts 300 jobs: Nynex CableComms, second-largest UK cable operator, is to restructure, losing 310 jobs in the process. Page 9

Famine finder: Government agencies and charities will be able more accurately to target areas of the world at risk of famine with a new computer programme being developed by the Save the Children Fund. Page 8

Phone-call rises suspended: The Italian government has frozen controversial changes to telephone charges, including peak-time local tariff increases, after heavy criticism by unions and consumer groups. Page 2

US troops offer: US defence secretary William Perry said Washington was willing to station American troops on the Golan Heights to guarantee a peace treaty between Israel and Syria. Page 8

Tyson loses rape appeal: Former world heavyweight boxing champion Mike Tyson had an appeal for a review of his rape conviction refused by the US Supreme Court. Tyson, convicted in 1992, was freed last year after three years in prison.

German decline hits UK groups: Share prices of Redland and RMC, two of Britain's biggest building material producers, fell sharply amid rising concern about falling German sales. Page 18

Fujitsu, Japanese electronics group which owns a majority stake in UK-based computer group ICL is to set up a research and development centre in the UK. Page 9

STOCK MARKET INDICES

New York		
Dow Jones Ind Av	5197.68	(+16.25)
NASDAQ Composite	1032.46	(-1.09)
Europe and Far East		
CAC40	1916.56	(-1.16)
DAX	2323.48	(-8.40)
FT-SE 100	3720.6	(+16.1)
Nikkei	20063.58	(-105.45)

US RATES

Federal Funds	5$\frac{11}{16}$%	(5$\frac{7}{8}$%)
3-mth Treas Bills: Yld	5.169%	(5.179%)
Long Bond	111$\frac{1}{32}$	(111$\frac{3}{8}$)
Yield	6.038%	(6.04%)

OTHER RATES

UK: 3-mo Interbank	6$\frac{15}{32}$%	(6$\frac{1}{2}$%)
UK: 10 yr Gilt	106$\frac{11}{32}$	(106$\frac{7}{8}$)
France: 10 yr OAT	107.82	(107.81)
Germany: 10 yr Bund	103.63	(103.54)
Japan: 10 yr JGB	110.865	(110.87)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$19.16	(18.96)

GOLD

New York: Comex		
(Feb)	$386.5	(same)
London:		
close	$386.5	(396.1)

DOLLAR

New York: lunchtime		
£	1.55	
DM	1.4403	
FFr	4.9348	
SFr	1.1632	
Y	105.28	
London:		
£	1.5499	(1.5527)
DM	1.4395	(1.4375)
FFr	4.9305	(4.9245)
SFr	1.1625	(1.1591)
Y	105.3	(104.865)

STERLING

DM	2.2322	(2.2319)
Tokyo close:	Y 105.65	

Austria	Sch37	Greece	Dr400	Malta	Lm0.65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$30	Morocco	MDh16	S.Arabia	SR12		
Belgium	BFr75	Hungary	Ft230	Neth	Fl 4.75	Singapore	S$4.30		
Bulgaria	Lw120.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	Sk65		
Cyprus	C£1.20	India	Rs75	Norway	NKr20.00	S. Africa	R12.00		
Czech Rp	Kc60	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr18	Italy	L3200	Pakistan	Rs40	Sweden	SKr20		
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.70		
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Syria	S£85.00		
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Esc240	Tunisia	Din1.750		
France	FFr11.50	Lebanon	US$1.50			Turkey	L70,000		
Germany	DM4.00	Lux	LFr75			UAE	Dh12.00		

Mitterrand draws tributes from left and right

By David Buchan in Paris

French and international leaders yesterday praised the life's work of Mr François Mitterrand, who died in Paris aged 79 after holding the French presidency for a record 14 years until last May.

His tenure of the Elysée, crowning a 51-year political career that included 11 ministerial posts, made him one of the most influential political leaders of the second half of the 20th century. He is to be buried on Thursday at Jarnac, his birthplace in the west-central Charente region. A memorial service will also take place at Notre Dame cathedral in Paris on Thursday, which is to be a day of national mourning.

Mr Mitterrand had been suffering from prostate cancer, and had undergone three operations since 1992. His condition worsened during a Christmas holiday in Egypt. The demise of this most ambiguous of French presidents was met by unambiguous recognition of his stature in postwar French politics and of his role in building the French Socialist party and European Union.

Mr Lionel Jospin, leader of the Socialist party, praised Mr Mitterrand for "teaching us to govern", after the late president brought the left to power in 1981 for the first time in France's Fifth Republic. Mr Michel Rocard, a former Socialist prime minister who had a famously rocky relationship with his president, lauded Mr Mitterrand's "pure political energy" in uniting the fragmented left.

Tributes also flowed from the right. The Gaullist president Jacques Chirac, whom Mr Mitterrand twice defeated for the Elysée and who served uncomfortably as prime minister to the Socialist president in the mid-1980s, said he felt "emotion and regret" at the passing of "a great figure".

Mr Alain Juppé, the prime minister, said Mr Mitterrand had "given pride to the French left" and had helped "anchor the institutions of the Fifth Republic". Mr Dominique Baudis, the centrist mayor of Toulouse, said he planned to name one of his city's streets or squares after Mr Mitterrand.

Abroad, the end of Mr Mitterrand's long fight against cancer was felt most keenly in Bonn, where Chancellor Helmut Kohl expressed "great dismay" at losing "a good friend". The late

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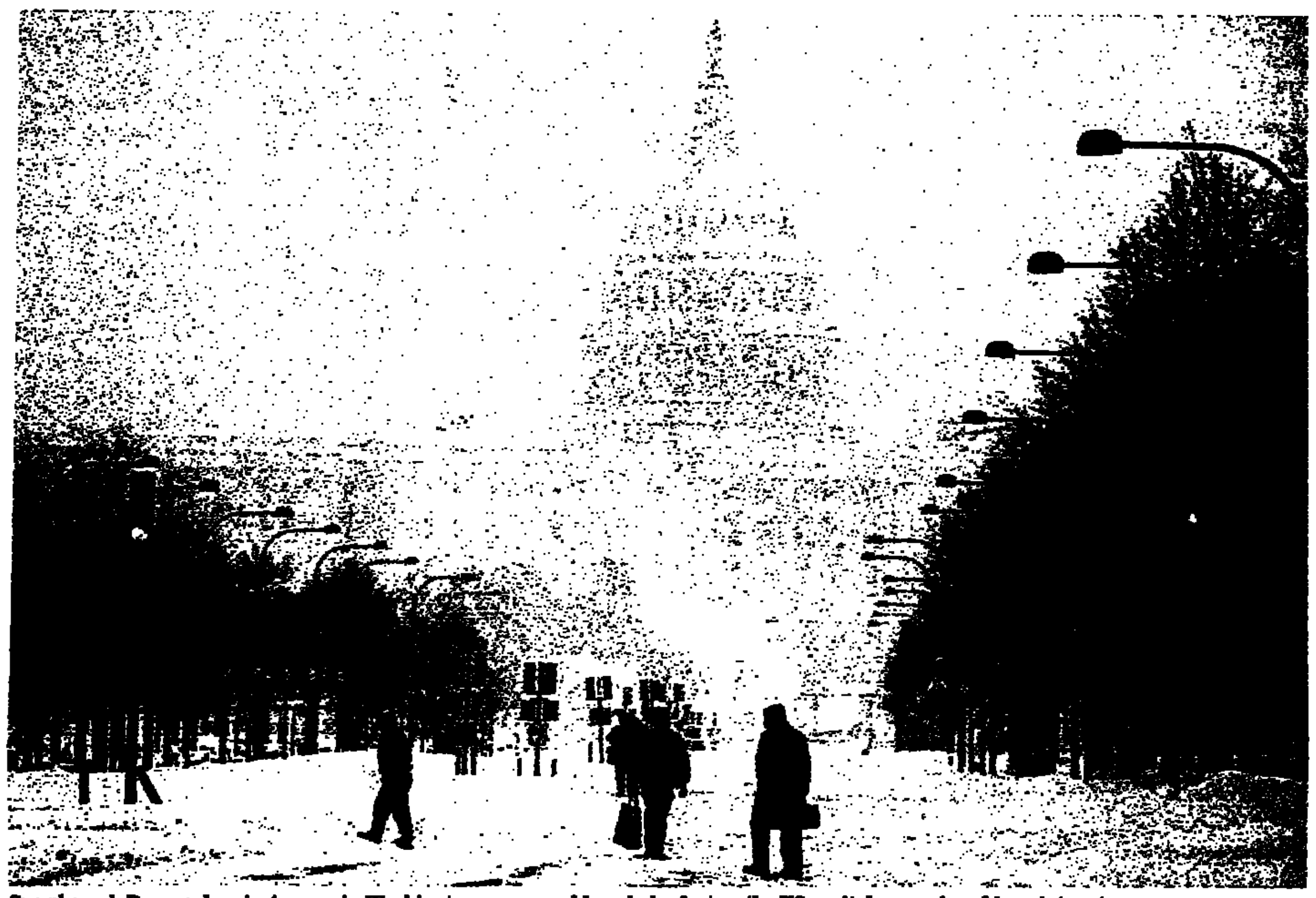
Financial markets close early ■ Government return to work delayed

Snow paralyses US north-east

By Richard Tomkins in New York and Patti Waldmeir in Washington



Snowbound: Pennsylvania Avenue in Washington was passable only by foot as the US capital was gripped by winter storms

Picture: AP

One of the biggest snowstorms of the century in the US yesterday paralysed the north-east of the country, bringing the region's economy almost to a standstill and severely disrupting financial markets.

Most airports and roads were closed, making travel virtually impossible and preventing employees from getting to work. Government offices told employees to stay at home – thwarting a planned return to work following an interim deal easing the three-week government shutdown – and many businesses gave workers the day off.

The New York Stock Exchange took the unusual step of restricting trading, delaying the start from 9.30am to 11am and bringing forward the close from 4pm to 2pm. The American Stock Exchange and the Nasdaq screen-based market did the same.

For the New York Stock Exchange, it was the worst disruption since Hurricane Gloria struck on September 27 1985, closing the market all day.

The New York Mercantile Exchange and the New York Commodity Exchange cancelled trading for the day and trading in the bond market ended at noon. The Dow Jones Industrial Average closed up 16.25 at 5,197.68 in extremely thin trading.

States of emergency were declared and the National Guard were called out in Kentucky, Pennsylvania, West Virginia, Maryland, New York, New Jersey and Delaware. Schools were closed and motorists were told not to go out.

Most airports were expected to remain shut all day. Transatlantic services were thrown into chaos with travellers whose flights were cancelled told they would have to wait three to four days for the next available flight.

In New York, the city that never sleeps went into hibernation, with most people heeding Mayor Rudolph Giuliani's advice to stay at home.

A sign outside FAO Schwartz, the city's biggest toy store, simply said: "This store is closed because of lots of snow."

In Washington the federal government, paralysed by politics for three weeks, remained shut yesterday by the blizzard. Federal employees, who face a huge backlog of work after the shutdown caused by a stand-off between the White House and Congress over the budget, were unable to reach offices in central Washington.

Political leaders were preparing to brave the icy blast yesterday afternoon, when they were due to continue budget talks at the White House. But otherwise the broad avenues of the capital were largely deserted.

Some motorists ventured out in the kind of four-wheel-drive, luxury vehicle which Washingtonians love to own but so seldom need. But even they were unable to cope with side streets filled with snow drifts up to a metre deep, and many cars had to be abandoned.

Washington's three airports remained closed for the second day, with thousands of flights cancelled. Inter-city train services, continued but with severe delays. Commuter trains were running only below ground, after commuters were stranded for six hours overnight without heat and light on a suburban route.

Maryland governor Parris Glendenning saw a brighter side to the blizzard, praising the "1950-style sense of community" shown by residents, citing reports of people helping to free stranded cars and deliver food and medicines to the sick and elderly.

Opposition walkout threat hits Hashimoto bid for PM

By William Dawkins in Tokyo

Mr Ryutaro Hashimoto yesterday won the Japanese ruling coalition's endorsement as the next prime minister, but ran into trouble when the opposition threatened to resign to force an election.

The endorsement by the Liberal Democratic party – of which Mr Hashimoto is president – and its two partners, the Social Democratic party and New Harbinger party, gives him the numerical support to win a parliamentary vote, provisionally set for Thursday. It has been called to choose a successor to Mr Tomiichi Murayama, who resigned as prime minister last week.

The only opponent for Mr Hashimoto so far is Mr Ichiro Ozawa, president of the opposition New Frontier party – a minority in both houses of parliament.

A shadow fell over the coming government yesterday when Mr Takashi Yonezawa, NFP secretary-general, said all NFP members of parliament might resign if the government did not agree to hold an election. While this would not pose a constitutional problem for the government, it would render parliament unworkable, a parliamentary official said.

The tactic has been tried once before, by the socialists, in an

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Rush to avoid top finance post, Page 5

Lockheed Martin buys Loral defence businesses for $9.1bn

By Bernard Gray, Defence Correspondent, in London

Lockheed Martin, the US defence and aerospace company, is buying the defence and electronics businesses of its rival Loral for a total of $9.1bn to create a defence giant with a turnover of $30bn and 200,000 employees.

The move further extends Lockheed's lead as the world's largest defence company and increases pressure on its largest domestic rivals, Boeing and McDonnell Douglas, which have been in merger talks for several months, to agree terms.

It is also a strong threat to smaller European defence companies, such as British Aerospace, Aérospatiale, and Daimler-Benz Aerospace, which have not yet started to consolidate.

Lockheed is paying $7bn or $38 a share in cash for Loral's defence and electronics business, and will take on $2.1bn of Loral's debts. Up to $10bn of bank debt will be provided by a banking group led by J.P. Morgan, of which $3.5bn has already been committed. The deal should be completed by the end of February, provided the US government gives its approval. Loral's chairman, Mr Bernard Schwartz, will join the Lockheed Martin board as vice-chairman.

The remainder of Loral, primarily a satellite telecommunications business, will trade as a separate company, with existing Loral shareholders receiving one share in the new company, Loral Space, for each existing Loral share. Lockheed also intends to buy 20 per cent of Loral Space for $344m, and Mr Schwartz will continue to chair that company.

The two companies will fit closely together. Lockheed Martin has a very strong position in combat aircraft, manufacturing the F-16 and next generation F-22 fighters, missiles and space launchers, and complex electronics. Loral has a wide spread of defence electronics interests, with no one single contract accounting for more than 6 per cent of its sales.

Many of Loral's businesses are complementary to Lockheed's: in missiles for example, both companies have a stake in the critical parts of the missile defence Star Wars programme. Lockheed is developing the Theatre High-Altitude Area Defence missile, which will protect large areas from missile attack, while Loral is working on the next generation Patriot missile, which starred in the Gulf war, for use against shorter range missiles.

Both companies are also active in military command, control and communications equipment. Lockheed produces the missiles for Trident nuclear submarines, while Loral produces much of Trident's electronics.

The two companies also overlap in export markets. Loral is producing the electronics for Britain's £4bn Merlin anti-submarine warfare helicopters, while Lockheed Martin manufactures the advanced radar Westland will fit to the British Army's new Apache tank-busting helicopters.

The combined companies have considerable scope to rationalise production capacity and research and development spending.

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Brussels TV proposals upset advertisers

By Emma Tucker in Brussels

Moves by MEPs in Brussels to restrict the amount of advertising that can be shown during children's broadcasts yesterday prompted bitter complaints from European advertisers that the European Parliament is trying to impede the development of new broadcasting services and undermine the single market in advertising.

"The current political climate in Brussels and Strasbourg has become increasingly hostile towards advertisers," said the World Federation of Advertisers. "What the legislators tend to forget is that advertisers provide the economic lifeblood to the Community, generate jobs, offer consumer choice as well as vital resources to fund both the traditional and new media."

The latest clash with the parliament concerns a series of parliamentary amendments to the revised Television without Frontiers directive that would, if adopted, restrict the amount of advertising that could be shown during children's hours.

Advertisers are also worried about a Swedish government campaign to allow individual member states to block broadcasts from other EU countries if those broadcasts do not conform with domestic rules on advertising.

Sweden is angry about a British-based television channel, TV3, that ignores a Swedish ban on advertising to children under 12 in its transmissions from the UK. The government has fined Swedish companies who promote their products on TV3.

The advertising industry believes such moves will destroy the concept of a single market in advertising, forcing companies to adapt what are supposed to be European-wide campaigns to the requirements of 15 different countries.

Although the culture committee – which was voting on amendments to the Television Without Frontiers directive yesterday and today – is in favour of tougher measures on advertisers, their amendments still have to be approved by the whole parliament, which does not vote until the end of January.

The amendments form part of proposed revisions to the directive, which aims to remove barriers to the free circulation of broadcasts within the European Union.

They would also have to pass back to the Council of Ministers, which last November adopted much more *laisser faire* revisions to the 1989 rules. The council voted to give jurisdiction over the content of programmes and advertising to the member state which broadcasts a programme.

This would mean that a country such as Sweden could keep its own rules on children's advertising but would only be allowed to apply them to domestic channels broadcasting within Sweden.

If the parliament and council cannot agree on the amendments, the issue will have to go to "conciliation". If no compromise is reached, the revisions may be thrown out altogether, leading to a return to the 1989 rules.

The parliament is also likely to be at odds with the council over the issue of content quotas. MEPs in the culture committee have taken a tough line on protecting European-made programmes from cheap, mass-produced American material.

They would like to achieve this by forcing general TV channels to show at least 51 per cent European-made programmes and theme channels, such as cartoon or movie channels, to invest part of their budgets in European productions.

Such amendments go much further than what was agreed in the council last year. Member states opted to maintain a loophole that makes broadcasters carry 51 per cent European programmes but only "where practicable".

Optimism on rising welfare state costs

By Mark Suzman, Social Affairs Correspondent

Policymakers across Europe, with the notable exception of the UK, overwhelmingly believe that rising cost pressures on the welfare state can be addressed without big cuts in the level of provision offered, a new study suggests.

After conducting detailed interviews with leading figures from across the political, academic and business spectrum in Denmark, France, Germany, Greece, the Netherlands and the UK, researchers from the University of Kent found general agreement that demand for welfare services will keep rising, largely because of growing numbers of elderly and higher unemployment levels.

However, while even among left-wingers and unionists the study found little enthusiasm for any further expansion of social welfare provisions, few of those questioned favoured a significant dismantling of existing provisions.

"There is a general feeling that severe fiscal and economic constraints prevent the further expansion of state welfare," the report says. "[But] there is more support for maintaining the current role of the welfare state than for reducing it."

Nevertheless, the research reveals wide disagreement on how to tackle these problems. A majority of respondents favoured interventionist economic policies to cut unemployment. Many felt these could be combined with "politically painless" efficiency and transparency drives.

But significant minorities, mostly among business people or right-wing politicians, favoured more radical options such as deregulating the labour market and increasing private provision of services.

Belying the recent Paris strikes, the report found that, in general, differences between political right and left and between employers and unions were smallest in France and greatest in the UK. However, alone among the six countries, the vast majority of respondents in the UK strongly doubted the political acceptability of higher taxes and felt most strongly that some welfare cuts were needed.

Professor Peter Taylor-Gooby, an author of the report, said the research showed discussion of welfare reform in Britain was different from elsewhere. "There is a very different tone to the debate, with most respondents much more gloomy about the future than their continental counterparts," he said. "Not even on the left does anyone think increasing spending is a viable option."

Summary Report, Squaring the Welfare Circle Project, University of Kent at Canterbury, CT2 7NY, UK.

Rome freezes plan to raise phone charges

By Andrew Hill in Milan

The Italian government has frozen controversial changes to telephone charges in the face of unexpectedly heavy criticism.

Unions and consumer associations attacked the government over the weekend after it signed a series of decrees which would increase local call charges at peak hours, while cutting tariffs for many long-distance and international calls.

The posts and telecoms ministry said yesterday it had not withdrawn the decrees, but it would talk to the unions before implementing the measures. Unions had accused the government of going back on a commitment not to increase public service tariffs.

The ministry defended the tariff "rebalancing" in a statement released late on Sunday night. It said the restructuring of tariffs was one of the aims of a 1992 plan, and had also been approved in principle by ministers in December 1994. It added that the measures "responded to numerous regulatory indications and to a specific invitation [to rebalance tariffs] from the European Union".

The suspension of the decrees, "taking account of certain criticisms", was announced in a handwritten paragraph added to the end of the statement. The apparent hastiness of the move led some observers to suggest yesterday that Mr Lamberto Dini, prime minister, had called a halt to the measures to avoid a damaging row ahead of today's parliamentary debate about the future of his technocratic government.

Mr Sante Perticaro, a deputy with the centrist CCD party, yesterday described the suspension as "an admission of guilt", and called on the government to withdraw the measures and start again with proper consultations.

The Italian government is only the latest EU government to find itself up against popular opposition in its attempt to bring tariffs into line with costs and with charges in other European countries.

Last Friday, Germany's post and telecoms minister suggested Deutsche Telekom review the figures on which its tariff changes were based, in an effort to end a row over rises in local call charges. As in Germany, Italian operators of online computer services have warned that increasing local tariffs could punish this growing market.

The Italian government hoped to offset the wrath of consumers by extending the off-peak period, which now runs from 10pm until 8am. Under the plan covered by last week's decrees, off-peak rates will apply from 6.30pm. The telecoms ministry also claims that the cut in long-distance charges will compensate for the increase in local tariffs. But this has not satisfied unions and users' associations, which claim the changes will penalise families and only benefit companies.

The ministry estimates that the restructuring will narrow the gap between Italy and its EU partners, such as France and the UK, where local tariffs are 50 per cent higher.

● Omnitel Pronto Italia, Italy's second mobile phone operator, yesterday said it had signed up 50,000 new customers for its digital cellular phone service in the first month since it began full commercial operations, ahead of its own expectations. Omnitel is the first competitor for Telecom Italia Mobile, the state-controlled operator, which has a strong base of subscribers for its digital and monopoly analogue services.

Italians pledge to work for Emu and employment

The priorities of the Italian presidency of the EU will be preparing for European economic and monetary union, launching the intergovernmental conference for revision of the Maastricht treaty, and fighting unemployment, Mr Lamberto Dini, Italy's prime minister, said yesterday, Andrew Hill writes from Milan.

Mr Dini and Mr Jacques Santer, European Commission president (shown above on arrival in Rome), said this in Rome yesterday after "extremely fruitful" discussions about the presidency, involving commissioners and members of the Italian government.

It is still not clear whether Mr Dini's technocratic government will guide Italy through the whole six-month presidency. Parliament begins a debate about the future of the government today, but it is difficult to predict the outcome. Mr Dini yesterday indicated he would not tender his resignation to parliament.

Turkey given new warning on Islamists

By John Barham in Ankara

The 550 new members of Turkey's parliament took their oath of office yesterday, opening the way for the first formal consultations between President Süleyman Demirel and party leaders today.

The swearing-in ceremony took about 18 hours but passed off without incident, despite fears that MPs from the fundamentalist Refah party might omit the oath's reference to upholding the secular reforms of Kemal Atatürk.

Refah, which wants an Islamic republic, is now Turkey's largest party, since winning 158 of 550 seats in parliament in general elections on December 24. It held just 38 seats in the previous 450-member parliament.

President Demirel is expected to offer Mr Necmettin Erbakan a mandate to form a government today, but observers say this will be little more than a formality.

However speculation is growing that Refah may be near a deal with the conservative Motherland opposition party. Mr Can Atakli, a columnist in the daily Sabah, said yesterday that "the two parties have agreed in principle" to form a government, with Refah taking the justice, interior and education ministries. Motherland would take the foreign and economy ministries. Mr Atakli did not say who would become prime minister.

Mr Demirel is expected to play a crucial role in preventing Refah from taking office by bringing the leaders of Turkey's two centre-right parties together in a coalition government. Animosity between Mrs Tansu Çiller, leader of the True Path party and outgoing prime minister, and Mr Mesut Yilmaz, Motherland party leader, has so far prevented a conservative alliance.

True Path holds 135 seats and Motherland 132, indicating that support from one of two leftwing parties in parliament would still be needed for a 276-seat majority.

A western diplomat said yesterday that "heavy pressure will be brought to bear on the two leaders to form an alliance". A majority of Motherland MPs would resist a deal with Refah, as would the powerful security forces, top civil servants and the US and European governments which wield strong influence in Ankara.

The diplomat warned that an incoming government must act decisively to prevent further deterioration in the economy that would bolster Refah's rising popularity. Action is required to improve real incomes, which fell by about a fifth last year, by bringing inflation down from 79 per cent in 1995.

Commentators agree Refah will mount a formidable opposition. Its MPs now hold one-third of seats, allowing them to obstruct government business and even attempt to detach Motherland's estimated 40 Islamist sympathisers.

Slow to reform Ukraine irks IMF

Matthew Kaminski says broken promises explain a delay in support from the Fund

Beer connoisseurs in Ukraine would ask for Obolon, if they could get it. But the successful private beer producer is fighting a losing battle against a wholesale trade monopoly controlled by state breweries, forcing it to depend on street kiosks or direct sales to restaurants.

A year into Ukraine's ambitious market reform effort, the Obolon story is like many others that tell of the private sector's losing battle with the state for economic power. As the state sector wins, economic reform stagnates.

And now the International Monetary Fund has baulked at continuing its support for the programme. This month it put off a scheduled vote on the remaining $700m of a $1.5bn standby programme. The Ukraine government failed to meet conditions for the loan, but Fund officials hope Kiev can get back on track by March.

It must first resolve two pressing problems: it is behind in its payments for imports, mainly energy, and its budget deficit is out of control. Ukraine has not paid for up to $200m of Russian energy imports over the past two months. A higher than expected 1995 fiscal deficit and an unpassed budget for 1996 constitute two further broken promises made to the IMF about keeping finances in order.

"They have dug themselves into a big hole and it'll be hard to get out," says a western economist in Kiev.

The Fund's decision not to release additional credits puts additional pressure on Ukraine's weak finances at a time when Kiev must negotiate a new energy supply deal with Russia. It also will delay talks with the IMF on a new three-year loan worth $2.5bn, which would have naturally followed a successful stand-by programme.

The country's discouraging economic record sits uncomfortably with the pressing strategic goal – to keep the large Slavic country stable, independent and somehow on reform course – which the IMF board, not immune to pressure from western countries, in particular the US, will have to take into account.

The reform slippage came in the past few months, after President Leonid Kuchma's late conversion to the free market raised expectations in western capitals. The fault lies largely with an assertive parliament dominated by communists and a government loath to swallow potent reform medicine.

The government's reluctance to free energy prices has meant there was not enough revenue from domestic sales to pay for necessary imports when the weather turned cold.

Earlier last year, the parliament released credits to factories, pushing the budget deficit over the agreed 7.3 per cent of GDP and helping to keep monthly inflation above 5 per cent, above the targetted 1-2 per cent.

This year's budget, up for parliamentary review this month, aims at a fiscal deficit of 6 per cent and inflation of 36 per cent, down from about 180 per cent last year. But western economists are sceptical.

As the political backlash hit, Mr Kuchma left economic policy to others, depriving the effort of the clear political backing that was needed to implement unpopular measures in other east European countries.

"They need a new start," says Mr Anders Aslund, the Swedish economist and adviser to the government. "You don't have a sufficiently strong sense of conviction in reform, as you did in Russia. They can either become really serious or lose out."

Social pressures are mounting. Mines in the eastern Donbass region, where pro-Russian sentiment runs deepest, frequently strike to force the government to pay outstanding wages. They got a potentially inflation-stoking $257m concession last November. One in every three Ukrainian industrial workers is under-employed, according to a recent survey by the International Labour Organisation, while official unemployment is 0.4 per cent, a statistic few believe.

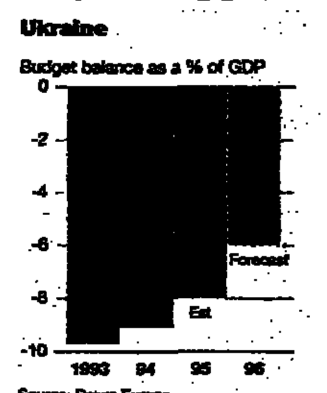
A survey by Mr Simon Johnson and Mr Daniel Kaufmann, two western economists, found Ukrainians earn $15.90 a month in their official job and $29.30 through secondary activities, such as trading, driving taxis or working weekend vegetable plots.

The shadow economy ensures Ukrainians live better than official statistics suggest. But it is also an inefficient and short-term solution. Economists argue Ukraine will continue to lag behind central Europe and Russia unless the government finds the necessary political will to push ahead.

The political constraints are not electoral – polls are not due for at least three years. With no developed political parties and weak unions, Ukrainians neither press for change nor actively oppose it. Reformers say the elites who profit from a distorted economy are applying the breaks.

"Rent-seekers are trying to find rents," says Mr Serhei Tiriokhin, a Reform party deputy, noting cheap loans, trade licences and state-set prices on lucrative commodities enrich many insiders.

Not all is grim. Once problem areas, foreign trade and agriculture are opening up slowly. State orders for grain – a driving force behind 10,000 per cent inflation two years ago – came in at 4.6m tonnes this year, down from an expected 10m tonnes, and are set to be withdrawn in 1996. Quotas and licences on exports are gone and trade is on the rise, mainly in exports of basic products such as steel.



The central bank governor, Mr Victor Yushenko, runs a tight monetary policy in spite of pressure from parliament. Other quiet reformers in government are trying to revive a moribund privatisation scheme.

However, they are matched against powerful vested interests, mostly industrialists in the country's eastern regions, who openly support a "mixed economy" with a large state sector incorporating what economists call the worst aspects of the Latin American experience, such as protection from competition.

Mr Yevhen Marchuk, the pragmatic prime minister who now holds the economic-policy reins, recently promised that "the necessary steps will be taken" to tackle monopolies and the bureaucracy and meet pressing financial obligations.

Yet as time runs out on Ukraine's IMF programme, the prime minister must navigate Ukraine's political minefield while implementing tough policies – a feat that has eluded his four predecessors, including Mr Kuchma who resigned as prime minister after a failed and half-hearted attempt two years ago.

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EUROPEAN NEWS DIGEST

Euro 'threat to Swiss economy'

The Swiss economy risks being damaged by frequent foreign exchange turmoil in the run-up to the introduction of the common European currency, a powerful Swiss business organisation has warned. The warning, contained in an internal analysis made by the Swiss Association of Business and Industry (Vorort), follows large transfers of capital from European currencies into the Swiss franc in recent months.

This movement has apparently stemmed from nervousness, especially in Germany, about the introduction of the Euro in 1999. The influx has boosted the Swiss franc against the D-Mark and other European currencies.

This process has helped Switzerland's large financial services industry. The Swiss stock market scored the biggest gains of any large market last year, with the leading share index up 25.4 per cent. But the country's export-dependent manufacturers have been hurt. GDP growth stopped in the third quarter after only 18 months of recovery from the last recession.

The Vorort analysis appears aimed in part at heading off a confrontation between the two main pillars of the Swiss economy over monetary and European integration policies.

Many Swiss bankers want to see the country stay outside the European Union and to keep the Swiss franc as a strong independent currency, as these policies help attract investment capital. Manufacturers would prefer the country to be in the EU and to peg the franc to the D-Mark and ultimately the Euro.

The analysis suggested that the central bank keep open the option of coupling the franc to the Euro. *Ian Rodger, Zurich*

Wealth tax hint for Belgians

Mr Elio di Rupo, the deputy prime minister of Belgium, has raised the possibility of introducing a wealth tax and a "generalised social levy", as a way of taking some of the pain out of spending cuts in this year's budget.

Belgium already has high tax rates, but the government needs to raise revenues to plug the budget deficit, as it prepares for economic and monetary union before the end of the century. In an interview with Le Soir newspaper, Mr di Rupo said the overall level of taxation in Belgium was "still below the level it was when this coalition came to power".

Mr di Rupo, also minister for economic affairs in Belgium's centre-left government, said: "The problem of social security will not be solved only by acting on the spending side and asking exclusively for an effort from those who benefit from various social benefits."

Tax increases are likely to be extremely unpopular in Belgium where wages have been frozen by the government for almost three years. *Emma Tucker, Brussels*

Moody's warns Austrian banks

Credit ratings of some Austrian banks could be downgraded by Moody's Investors Service over the medium term because their strategies for dealing with looming structural changes may be inappropriate.

In its annual outlook report on the Austrian banking system, Moody's observes that Austria's entry into the European Union will bring about a more open and deregulated banking environment. But it suggests that the leading banks are not well placed to adjust quickly to these changes. Austrian banks live with low net interest margins because of overcapacity and have relatively high operating costs, resulting in chronically weak profits. Yet they have only a "half-hearted" commitment to closing branches and are reducing staff only at a "tepid" pace, partly because of "socio-political constraints", Moody's says.

Privatisation is proceeding very slowly. Moreover, several banks ran down capital bases during the last recession by realising hidden assets or skimping on provisioning to cover losses. *Ian Rodger, Zurich*

Former Hungarian PM dies

Mr Karoly Grosz (left), the former Hungarian prime minister who paved the way for the country's sweeping democratic changes in the late 1980s, has died after a long illness aged 65.

Mr Grosz, known as the "Hungarian Gorbachev", wrested power from Mr Janos Kadar, Hungary's veteran Communist leader, becoming general secretary of the ruling Hungarian Socialist Workers party (HSWP) in 1988. He was prime minister between 1987 and 1988. However, like Mr Gorbachev, he was swept out of office after the reforms he initiated gathered pace and eastern Europe's communist regimes collapsed. He was ousted at a party congress in October 1989 which attempted to transform the HSWP into a western-style socialist party.

The Socialists lost the first free elections in 1990, but regained power under Mr Gyula Horn, himself a former senior Communist official, in a landslide victory in 1994. Mr Grosz, who left politics in 1990, remained a communist all his life. In a local newspaper interview last year he said he was a Marxist who did not believe in Leninism. *Virginia Marsh, Budapest*

Ban on Frankfurt broker

The Frankfurt stock exchange has revoked a local broking firm's authorisation to handle price settlements in options deals, in the latest example of German authorities' determination to stamp out irregularities in financial markets.

The exchange said the action had been taken against Ballmaier & Schultz after its market supervision board detected irregularities in the way prices were recorded. Because of these, "orderly price determination appeared jeopardised". It found that in several transactions, the broker "generated price differences to its own advantage and the disadvantage of clients".

Ballmaier & Schultz said the irregularities – in dealings in options of Trinkaus & Burkhardt, a Düsseldorf bank owned by Midland Bank of the UK – stemmed from errors, which it regretted, in entering prices electronically. It called the exchange's action inappropriate and illegal and said it would defend itself legally.

The exchange said a ledger broker – handling price settlements – must not be allowed to abuse the trust arising through knowledge of orders on the books. It said the size of the damage was not decisive – Ballmaier said the price discrepancies amounted to only DM444 (£200) – and its decision was also influenced by the fact that the broker had done nothing to put it right. *Andrew Fisher, Frankfurt*

Tietmeyer backs spending cuts

Mr Hans Tietmeyer, the Bundesbank president, said European nations must continue to try to reduce public spending and to pursue labour reforms, despite short-term penalties.

Speaking yesterday in his capacity as chairman of the G-10 central bank governors' committee at the end of its regular monthly meeting at the Bank for International Settlements, Mr Tietmeyer said the effects of fiscal reform over the long term would outweigh the negative short-term impact.

He warned that if Europe did not continue on its present path of fiscal consolidation, higher interest rates and less investment could result. *AFX, Basel*

Yugoslav trade deficit $959m

The Yugoslav trade deficit reached $959m in the first 10 months in 1995, the federal government's Centre for Development and Economic Policy said yesterday. The centre said no comparative figures were available. *Reuter, Belgrade*

NEWS: EUROPE

Employment put at top of CSU agenda

By Judy Dempsey in Wildbad Kreuth, Bavaria

Germany's Christian Social Union, (CSU), the Bavarian sister party of Chancellor Helmut Kohl's Christian Democratic Union (CDU), yesterday joined the other parties in putting unemployment and European monetary union at the top of its political agenda.

Mr Theo Waigel, finance minister, and Mr Michael Glos, head of the CSU's parliamentary group, said unemployment could soon reach 4m if more flexibility in the workplace and social reforms were not introduced.

In particular, Mr Waigel said cutting the public sector, increasing job flexibility and pushing forward the pace of privatisation were essential if the government was to succeed in boosting employment.

Mr Waigel was addressing the parliamentary faction of the CSU at its annual meeting in the Bavarian mountain resort of Wildbad Kreuth.

The meeting coincides with considerable concern among the CDU and the CSU about the ability of the liberal Free Democratic party (FDP), the government's junior coalition partner, to win re-election in three state elections due in March.

But yesterday, Mr Glos dismissed any idea that the coalition was in danger, despite the FDP's poor electoral performance over the past two years. He said the CSU would continue to support the government and warned against any temptation by the CDU to form a coalition with the opposition Social Democrats (SPD).

In a closed session for delegates, Mr Glos said the CSU would no longer be able to hold four ministerial posts and five state secretary positions if such a political constellation was to emerge.

At the same time, the CSU, which has close links with the Roman Catholic church and is politically conservative on asylum and fighting crime but liberal on privatisation and less state interference in the economy, said an SDP coalition with the Greens, backed by the east German Party of Democratic Socialism (PDS), would split the country and usher in an era of political instability.

Although confined to Bavaria for its political support and often appearing under the shadow of the CDU, the CSU stunned the CDU 20 years ago at Wildbad Kreuth by deciding to make its own parliamentary deputies independent from the CDU faction. This was a CSU bid to establish greater political autonomy in policy-making and to challenge the CDU's control over the Chancellery.

But in practice in the Bundestag, the lower house of the parliament, the CSU has acted as a loyal and dependable supporter of the CDU.

Crisis time in Germany's town halls

In Bonn, the city council tried switching off the traffic lights. Across the Rhine, in Königswinter and Bad Honnef, the authorities want to close public swimming pools. In Cologne, a few kilometres to the north, investment in school buildings and the underground railway system will be cut by more than 10 per cent this year.

Cuts like this in a small area of the Rhineland are symptomatic of financial problems for local authorities throughout Germany. "The situation is one of unprecedented gravity," says Mr Hanns Karrenberg, an economist at the Association of German Cities. "We are now in crisis."

The crisis in Germany's town halls is hitting the nation as a whole. Cuts in local jobs, services and investment are adding to the "feel bad" factor that is sapping the strength of Germany's already anaemic economic upswing.

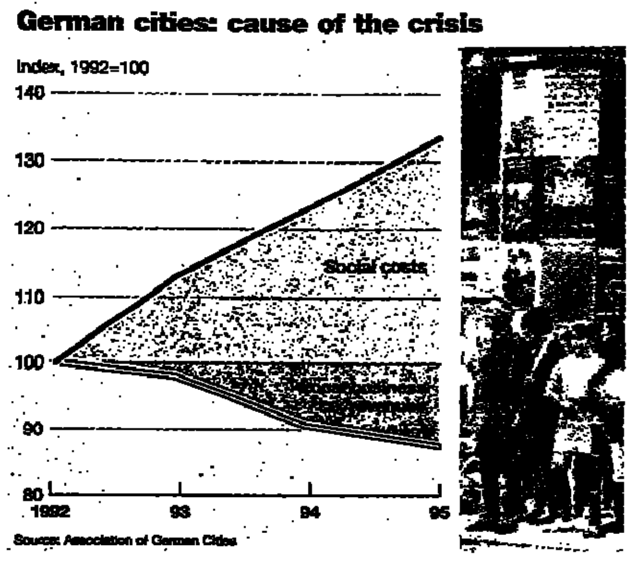
Sharply higher charges for rubbish clearance, sewerage and water, and kindergarten places are chipping away at families' disposable income and curbing consumption and retail sales. Yesterday, the central association of the German retail trades reported "extremely weak" sales by specialised retailers in November.

The scale of the problem is only partly reflected in official figures. The Bonn Finance Ministry recently forecast a rise in the overall deficit of local authorities in western Germany to DM7bn ($4.8bn) in 1995 from DM5.5bn in 1994, suggesting only a modest deterioration in their finances. The ministry even predicted a fall in the total deficit of eastern German municipalities, to DM5bn from DM5.7bn.

But, in contrast to Germany's state and federal governments, the borrowing powers of local authorities are strictly limited. As a result, the financial problems of towns and rural districts have been felt quickly in local communities as cuts in services or rising charges. Bonn's decision a few weeks ago to switch off 82 traffic lights to save a few thousand D-Marks was quickly reversed after a wave of protests. The average family in the capital will not be able to escape a 24 per cent rise in refuse disposal charges set for this year.

There is no doubt that Germany's local authorities are partly responsible for their present plight. Years of strong growth and buoyant local tax revenues encouraged heavy spending on expensive projects. Even if the neighbouring communities of Königswinter and Bad Honnef shut two swimming pools as planned, they will still have two others in operation.

German cities: cause of the crisis



But with the economy weak, the structure of Germany's social security provision has meant that local authorities are caught in an especially vicious squeeze between falling tax revenues and rising costs. Slow growth and business redundancies have meant a sharp rise in Germany's long-term unemployed.

> Local authorities are caught in an especially vicious squeeze between falling tax revenues and rising costs

These are supported primarily by local authorities, which are responsible for social security payments (as opposed to pay for those temporarily out of work). According to finance ministry estimates, social spending by local authorities in western Germany is set to rise to DM53bn this year from DM51.5bn in 1995 and DM47.8bn in 1994. In eastern Germany, it is expected to rise to DM8.5bn from DM8bn in 1995 and DM6.2bn in 1994. In Cologne, social support payments are expected to total DM782m out of a 1996 budget of DM6.76bn.

At the same time, weak activity and increased corporate investment abroad have eroded revenues from local business taxes. Total local authority tax revenues fell 0.8 per cent to DM40.2bn in the first half of last year compared with the same 1994 period, according to the Federal Statistics Office. Significantly, income from local business taxes dropped in western Germany by nearly 5 per cent to Dm17bn, while in the east it slumped by 27 per cent to just DM1bn.

These are global figures. There are substantial local and regional differences. Most cities are in worse financial straits than surrounding regions, because of the migration to the suburbs in recent years of more affluent families and the concentration of social problems in urban centres.

There are also large differences between the faster growing south of Germany and the old industrial north, as well as between local authorities in the richer western states and the impoverished municipalities of the former communist east. According to Mr Karrenberg, many of Germany's cities are no longer able to solve their financial difficulties themselves.

Inevitably, the government in Bonn has become deeply involved with the problems of local government finance.

Mr Theo Waigel, the finance minister, wants to abolish one of the taxes which is an important income source for the municipalities.

The local trading capital tax (*Gewerbekapitalsteuer*), which largely accrues to the municipalities and which companies have to pay irrespective of whether they make a profit, is, the minister says, a "fossil" that undermines Germany's international competitiveness.

But his favoured solution of financing local authorities through a share of value added tax will be especially difficult to achieve, as it will require a political deal between the federal government and the states, most of which are controlled by the opposition Social Democratic party.

It is just this sort of solution that Mr Karrenberg dreads. Germany's economic problems are only one reason for the cities' difficulties: just as serious have been "lousy compromises" brokered by state and federal politicians over the local authorities' heads.

Peter Norman

InfoMatin fails to crack media market

By Andrew Jack in Paris

With a bold "Au Revoir" headline taking up half its front page, the daily French newspaper InfoMatin printed its final edition yesterday, giving up a two-year struggle to break into one of the country's most difficult markets.

Its ultimate failure says much about the difficulties facing many of its competitors, as well as about its own particular challenges and limitations.

InfoMatin distinguished itself by creating a distinctive niche. It opted for a practical, easy-to-hold tabloid format. It chose a deliberately aggressive price – FFr3.80 (76 US cents), almost half the price of most other dailies. It used colour and lively presentation.

It had also taken an increasingly aggressive investigative – and sometimes caustic and anti-government – editorial line, which included generating a number of memorable scoops on improprieties in the public housing market in Paris over the last few months.

However, the precedents were not promising. InfoMatin was the fifth attempt at launching a generalist daily paper in France in the last two decades. All have failed. The last successful one – the left-leaning Libération, set up in 1973 – is itself having considerable financial difficulties.

Even many of its more entrenched rivals, such as Le Monde and Le Figaro, are facing problems and restructuring. They have all suffered in the face of high and sharply rising production and distribution costs – notably for paper – as well as relatively low advertising expenditure.

InfoMatin had at least two additional problems. First, it was trying to break in to a shrinking market, which has seen the number of daily newspaper readers decline by 2m in 20 years, according to Mr Yves Agnes, head of the CFJ, the journalists' training school in Paris. That partly reflects the rival lure of television, the regional press and a strong stable of weekly magazines.

Second, it chose a high-risk alternative. As Mr André Rousselet, the former television executive who became its publisher after an initial rescue a year ago, wrote on the front page: "Our price, format and colour cost us dear."

Mr Agnes also believes InfoMatin was under-capitalised. He says it would have needed several hundred million francs and perhaps five years to break into profit. It was given much less slack than that, and reported operating losses of FFr84m in 1994 and FFr65m last year.

There were also problems of management style. Mr Rousselet made great play in the last few days of the journalists' unwillingness to contribute to cost reductions by agreeing to reduce their annual holiday entitlement from more than eight weeks to five.

Observer, Page 13

Pressure grows over Greek PM

By Kerin Hope in Athens

Greece's conservative opposition party, New Democracy, yesterday proposed a censure motion in parliament in an effort to increase pressure on Mr Andreas Papandreou, the prime minister, to resign.

Mr Miltiades Evert, the opposition leader, said deputies in the governing Panhellenic Socialist Movement should "face up to their responsibilities and put an end to the political vacuum" caused by the premier's prolonged illness.

Mr Papandreou, 76, is still on life-support machines after suffering kidney failure and secondary infections resulting from pneumonia in November. Doctors at the Onasseion Cardiac Hospital where he is being treated said yesterday that his condition was improving, but he was still using a respirator.

Mr George Papandreou, education minister and the prime minister's eldest son, has undertaken to persuade his father to retire, but ruled out "any kind of ultimatum". At a first meeting yesterday, he told Mr Papandreou only that his seven-week absence had caused problems, Socialist officials said.

Greece's constitution calls for Pasok's 169 deputies to elect a new prime minister. Almost 100 deputies have sent letters to Mr Dimitris Beis, chairman of the parliamentary group, asking for procedures to be started as soon as possible.

Mr Costas Simitis, a former industry minister and a leading contender to succeed Mr Papandreou is among the deputies who want to end the uncertainty. The other frontrunner, defence minister Gerasimos Arsenis, has avoided taking a position on Mr Papandreou's resignation.

The constitution does not offer a way out of the present impasse, according to legal experts, because its wording on what to do in such a situation is unclear.

NEWS: FRANÇOIS MITTERRAND 1916-1996

Passing into history of a French enigma

Great statesman of a new Europe who managed to inspire both love and hate

François Mitterrand, who died yesterday at the age of 79, was one of the outstanding politicians of the post-war era, who dominated the French political scene throughout the 14 years of his presidential tenure of the Elysée palace. But Mitterrand's chief legacy was his contribution to the construction of the European Union, and it is this which places him in the inner circle of the pantheon of great European statesmen.

As leader of France, Mitterrand attained a charisma rising above party politics which earned comparison with that other towering Frenchman of the post-war era, Charles de Gaulle; but as a great European, he is in the august company of Jean Monnet, Paul-Henri Spaak and Konrad Adenauer.

At the same time, however, the personal reputation which he will carry into the pages of history, and the legacy which he leaves behind for France, are wracked with ambiguity and contradictions.

He performed immense services for his country; but throughout his career he was deeply hated by political opponents, with an intensity going far beyond the normal antagonism of politics.

At one level he was a great political reformer: his measures to devolve powers to the regions, departments and communes, was possibly the most important, and certainly the bravest, departure from the deeply engrained history of the centralised French state. Yet at the same time he presided over a concentration of power in the presidential palace in Paris, which invited repeated and

'Just think: for as long as young people aged 15 to 20 have been aware of their country's politics, they have never seen anyone but me [in power]. In their place, I would be rather weary' - 1993

indignant comparison with the monarchs of the *ancien régime*.

He was a lawyer with immense respect for constitutional niceties and forms of government. Yet at the same time, his administrations were associated with repeated scandals, with outrageous abuse of power and even with outright law-breaking.

At the personal level, no-one ever accused Mitterrand of financial corruption, let alone of money-grubbing. Yet his friendships included several people of dubious financial reputation, and he seems to have done nothing to prevent or repress the wholesale financial corruption to which his Socialist party abandoned itself.

Mitterrand patiently proved himself, during two decades, the master strategist of French party politics.

He virtually created the Socialist party, and built it up as an instrument of his will and the largest single political force in France. He neutralised, and in the end effectively stifled, the once-powerful Communist party. And he destabilised the natural majority of the conservative opposition parties, by playing with consummate skill on their internal dissensions.

But he was so jealous of all possible rivals in his own Socialist party that he deliberately constructed the party as a gathering of warring clans, with the result that, as his power weakened towards the end of his tenure, the competing factions progressively tore each other apart.

If Mitterrand had been determined to ensure that he could have no strong successor, and to leave the Socialist party in the same state he found it, he would not have acted differently.

Above all, perhaps, he always was, and he remains in political terms, an enigma.

Apart from his steadfast commitment to the cause of European integration and reconciliation with Germany, it is virtually impossible to say what he believed in.

He started his political career on the nationalist right; he finally came to power in 1981 on the strength of an alliance with the Communists and a programme assembled from all the most old-fashioned socialist recipes; but after two short years, he gave up virtually everything that smacked of socialism, and abandoned the Socialist party to invent a new future for itself.

The comparison between Mitterrand and de Gaulle is almost unavoidable, but it is also paradoxical and double-edged. For many years Mitterrand was a bitter opponent of de Gaulle, and he fiercely denounced de Gaulle's Fifth Republic as a *coup d'état permanent*.

Yet when he himself became president, he followed de Gaulle's example in many respects, not least in wielding absolute presidential authority in the fields of foreign policy and defence.

Mitterrand's European policy, however, was in stark opposition to that of de Gaulle. As a passionate nationalist, de Gaulle constantly asserted the claims of France against all comers.

But Mitterrand did continue one important strand of de Gaulle's European policy: the close alliance with Germany. But he did so for entirely different reasons, and with entirely different results. For de Gaulle, the Franco-German partnership was a device for asserting French dominance over a Germany which was still only starting to recover international respectability; through friendship with Konrad Adenauer, de Gaulle thought he could slow the process of European integration.

But Mitterrand's purpose was quite the opposite: for him, Germany was a necessary partner for moving forward towards an explicitly federalist Europe, and Chancellor Helmut Kohl an essential ally in the process.

Mitterrand probably did more than any other French politician to convert his countrymen to the cause of Europe. The economic logic of this conversion persuaded the French establishment to accept the liberal economic principles of the single European market, and to turn away from its long tradition of protectionism and state intervention.

This political consensus in turn appeared to have persuaded a large and consistent majority of the French people to acquiesce in Mitterrand's far-reaching federalist goals of economic and monetary union and political union.

The French referendum of September 1992, which took place at a time of unrelenting recession, produced only a paper-thin majority in favour of the Maastricht treaty; but the intense national debate which led up to the referendum had inexorably forced the leaders of all the mainstream political parties, including Mr Jacques Chirac of the Gaullists, to come out in favour of the treaty. Political parties had been manoeuvred into supporting it.

The one aspect of French policy where Mitterrand remained an effective prisoner of the Gaullist heritage was defence. He repeatedly proclaimed the need for Europe to acquire its own defence identity.

During his second presidential term he launched some practical initiatives for European defence co-operation, both in the expansion of the Franco-German brigade into a potential European Corps, and in hints at the need for a European nuclear doctrine. Yet in principle he never shifted from an absolute insistence that the whole of France's defence policy, whether nuclear or conventional, must be totally independent.

This internal contradiction in Mitterrand's thinking on defence, between the European and the French nationalist, remained unresolved throughout his tenure of office, despite frequent initiatives to square the circle.

He attempted to graft a defence dimension onto the bilateral Franco-German partnership, and he urged the extension of the EU into the defence field.

Yet the seminal act of de Gaulle's defence policy, the removal of France from the military structures of Nato in 1966, remained an immovable centre-piece of Mitterrand's defence doctrine.

One probable reason for this double-track policy was the widespread belief that the long-standing French consensus of support for the national nuclear deterrent was conditional on a defence posture which stressed national independence. But whereas the French national nuclear deterrent had been invested by de Gaulle with the symbolism of French national greatness in the face of the Soviet menace, it remained the foundation of

Prisoner to president


circa 1940 — Prisoner of war in Stalag IX


1942 — Eye-to-eye with marshal Pétain, leader of Vichy France


1946 — Addressing the National Federation of Prisoners of War and Deportees

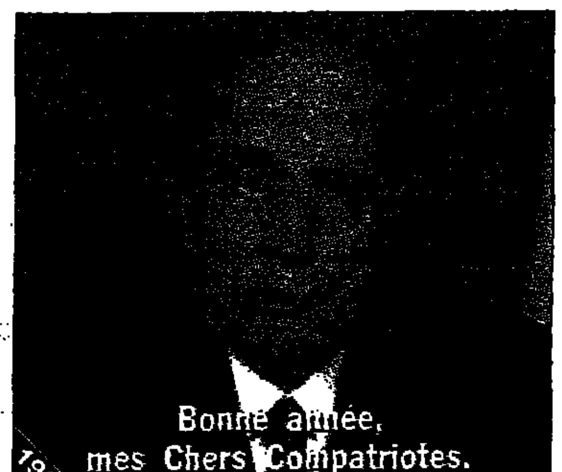

1965 — Presidential candidate for the first time


1981 — The new president off to the US to meet President Reagan


1988 — Congratulations for the re-elected president


1991 — Promoting Franco-German relations with Chancellor Kohl


1994 — Cutting the Channel Tunnel ribbon with Queen Elizabeth



1994/5 — The last televised New Year's message as president

1916: Born west-central village of Jarnac into bourgeois, religious family; educated boarding school, then obtained law degree and politics diploma in Paris; initial career in law and journalism.

1939-45: Serves in French forces, wounded, captured by Germans but escapes into unoccupied Vichy France, where he works with Vichy régime unit responsible for French prisoners in German camps, then active with the Resistance from late 1942 until end of war.

1946-58: National Assembly deputy for la Niève (near Dijon).

1947-48: Minister for army veterans, then other ministerial posts.

1954-57: Minister of interior, then minister of justice.

1959-62: Senator.

1962: National Assembly deputy.

1965: Runs for presidency, with support of FSIO (precursor of Socialists) and Communists, receiving 44.8 per cent of vote against de Gaulle.

1965-71: Leads successive federations of left-wing political groupings.

1971: Forms modern Socialist party, serving as its first secretary for 10 years.

1974: Runs again for presidency, receiving 49.2 per cent of vote against Valéry Giscard d'Estaing.

1978-81: National Assembly deputy.

1981: Elected president, defeating Giscard d'Estaing with 52.2 per cent of the vote.

1986: Has to accept Jacques Chirac's conservatives in government after Socialists lose parliamentary elections.

1988: Re-elected president, defeating Chirac with 53.9 per cent of vote; calls parliamentary elections which return Socialists to government.

1991-92: Negotiates with European Community partners the Maastricht treaty on European Union; holds referendum on treaty, which just scrapes through; undergoes operation for prostate cancer.

1993: Appoints Edouard Balladur to head conservative government after Socialists lose parliamentary elections.

1994: Undergoes second operation.

1996: Dies, aged 79, at Paris office he occupied since leaving power in May, 1995.

Mitterrand's defence policy, even after the end of the cold war.

Not the least remarkable feature of Mitterrand's career is that his creative years came late in life, since he secured his first presidential election in his 65th year. His previous career fell into two distinct phases, neither of which appeared to promise the final chapter of statesmanlike achievement.

In the decade after the second world war, when Mitterrand was in his 30s, he was a brilliant and precocious young politician of the Fourth Republic, of ambiguous political affiliation, who held ministerial office on 11 occasions in a succession of different governments, including the prestigious posts of minister of the

'I still believe in the forces of the spirit, and I intend to be with you always' - 1995

interior and minister of justice.

After the fall of the Fourth Republic in 1958, however, de Gaulle's accession to power ushered in a period of 23 years of conservative dominance on the French political scene, and Mitterrand was effectively relegated to a long period in the wilderness.

He spent his exile assiduously attempting to build his credentials as a serious political contender for the presidency; after he had succeeded in driving de Gaulle into an unexpected second-ballot runoff in the 1965 presidential election, he was well on the way to guaranteeing his status as the most plausible representative of the non-Communist left.

His primacy on the left became unquestioned after he had taken over the leadership of the emerging Socialist party in 1971, and was further reinforced the following year when he forged an electoral alliance and a joint programme with the Communist party, the first such socialist-communist pact in France since the Popular Front of the 1930s.

This was the turning point, both for Mitterrand's career and for the balance of forces on the French political scene. For Mitterrand had understood that the moderate left in France was condemned to impotence so long as the voters were forced to choose between a collection of divided socialist or moderate centre-left parties and a large Communist party of Stalinist rigidity on the extreme left.

Only by negotiating an explicit alliance with the Communists, he reasoned, could the Socialists hope for an electoral victory; but in such an alliance, the Socialist party could draw votes both from the centre and from the Communists. So it turned out: from a peak of 22.5 per cent in 1967, the Communist vote declined steadily to under 10 per cent in 1986; whereas the Socialist vote rose from 20.8 per cent in 1973 to a peak of 37.3 per cent in 1981.

Yet until the flowering of his presidency, in the late 1980s, Mitterrand's personal standing did not match his position as party leader: during most of the galley years, he was dogged by his reputation as a brilliant and Machiavellian pol-

On the subject of cohabitation with the Right in 1986: 'Like cats, we sleep with one eye open'

itician, who was not necessarily to be wholly trusted, and whose career appeared to have been marred by some damaging incidents and political *faux pas*.

Some critics reproached him for having worked for the collaborationist war-time Vichy régime during the brief period between his escape from prisoner-of-war camp in Germany and his engagement with the Resistance.

Others blamed him for having espoused the cause of Algérie Française during the Algerian war. And there remains the unresolved and murky melodrama of the Affaire de l'Observatoire, in which he was tainted by allegations of having connived in a phony assassination attempt.

But Mitterrand made his most serious strategic blunder during the *évènements* of May 1968, when he clumsily attempted to take advantage of the mass protests against the government of President de Gaulle, by offering to take power in his place.

Even after he became the uncontested leader of the French left, there were many who continued to doubt, during the mid-1970s, that he would ever quite make it to the top, even as a prime minister under some neutral president, let alone as a Socialist president in his own right. So when he defeated President Valéry Giscard d'Estaing in the 1981 presidential election, Mitterrand's victory was greeted with wild joy by the socialist half of the country, in exultation that the conservatives had finally been evicted from power.

Yet the paradox was that this original opponent of the Fifth Republic had himself finally vindicated its legitimacy, by demonstrating the possibility and the acceptability of a transition from right to left. Mitterrand was forced to endure that proof in reverse five years later, when the Socialist party was defeated in the 1986 general elections, and he had to submit for two years to cohabitation with a Gaullist prime minister, before his own re-election in 1988 and the return of the Socialists to government.

The Socialist defeat in 1986 was a direct consequence of the partisan misjudgments of Mitterrand's original electoral programme. Very rapidly after his 1981 presidential victory, Mitterrand was fiercely criticised, mainly but not exclusively by the bourgeoisie and the conservative opposition parties, for his headlong intro-

'France is our country, Europe is our future' – 1992

duction of a long catalogue of old-fashioned and intemperate socialist nostrums, ranging from a sweeping programme of nationalisation, to increased public sector employment, higher public sector pay and earlier retirement for all.

This unrestrained gratification of socialist aspirations proved what many of his critics had always claimed: Mitterrand might be a subtle lawyer, an impressive politician and a cultivated man of letters, but he knew nothing about economics.

The vast expansion of state expenditure and popular purchasing power triggered a sharp acceleration of inflation, a runaway deficit of the balance of payments, and a headlong collapse of the currency. Within two years Mitterrand was forced to abandon the socialist economic programme for which he had been elected, and he never attempted to return to it.

The change of course, to an economic policy of steadiness and irreproachable restraint, marked the beginning of Mitterrand's creative years of European statesmanship. The new economic priorities became the control of inflation and the improvement of French competitiveness to match that of Germany: in every year thereafter, until the recession of the early 1990s, the budget deficit was brought down and the rate of inflation finally squeezed below that of Germany.

So by a paradoxical reversal of policy and fortune, it was a Socialist president who ushered the French economy into integration with the rest of Europe. He earned the respect of the international financial community for having successfully replaced a traditional French strategy of competitive devaluation with a strategy of a hard franc.

As a result, the gradual achievement of international confidence in the French economy became the indispensable condition for the credibility of Mitterrand's new European policy, first with the Single European Act negotiated in 1985-86, and in 1991 with the Maastricht treaty on economic and monetary union and political union. To these momentous

On May 8, 1995, speaking in Berlin on the 50th anniversary of the end of the war, Mitterrand gave Germany its absolution: 'They [ordinary Wehrmacht soldiers] accepted the loss of their lives for a bad cause [Nazism], but their gesture had nothing to do with that. They loved their country'

events, Mitterrand's waning years in the Elysée proved a more sombre epilogue. He underwent a first operation for prostate cancer in September 1992, to be followed by a second in July 1994, while his party's political health suffered badly, too.

In the March 1993 legislative elections, the combined Gaullist-Giscardian forces of the centre-right swept out of government, a Socialist party whose economic policy was perhaps, in electoral terms, too rigidly in thrall to the austerity requirements of the distant goal of monetary union, and to whose perceived reputation for political corruption the president had contributed.

Mitterrand reacted by distancing himself from many in his party. This might have been a contributory factor in the suicide of his last socialist prime minister, Pierre Bérégovoy, a month after his defeat in the 1993 elections. But Mitterrand no longer felt so close to a party that in April 1993 came briefly under the control of his long-time rival, Mr Michel Rocard. The latter, however, came unstuck when he led the Socialists in the June 1994 European Parliament elections to their worst defeat since the 1960s, scoring only 14.5 per cent of the vote. The resulting political vacuum in the Socialist party returned to Mitterrand some role in deciding whom the party might field to try to succeed him in the Elysée in 1995.

Weakened physically and politically, Mitterrand played a less combative role in his second cohabitation with a conservative government, partly because he picked the non-confrontational Edouard Balladur to head it. But Mitterrand was still far from a figurehead president in his last two years of office. Interfering little in domestic affairs, he continued to play a significant part in foreign and defence policy.

Nowhere was this more evident than in the continuance of his long partnership with Chancellor Kohl. This ensured that the Franco-German alliance remained the keystone of both countries' foreign policies, and enabled Mitterrand to build on his central achievement, his contribution to the transformation of the EEC into a broad Union with far-reaching federalist potentials.

See Editorial Comment

Ian Davidson

NEWS: ASIA-PACIFIC

Politicians in rush to avoid top finance post

Steering housing loan bailout through parliament will be priority for new minister, writes Gerard Baker

With just a few days to go before Mr Ryutaro Hashimoto's widely expected elevation to the prime ministership of Japan, members of the three coalition parties are engaged in a scramble for the top jobs in the new cabinet.

After his probable election on Thursday, Mr Hashimoto plans to construct a cabinet with representation from each of the three coalition partners.

But there has been something different and rather curious about the battle for jobs on this occasion. No one, it seems, wants to be finance minister.

The current reluctance of coalition members to volunteer for what ought to be one of the most attractive portfolios in the government of the world's second largest economy is understandable. The vacancy comes with one of the most unattractive immediate duties: the need to steer the politically explosive housing-loan bailout plan through parliament.

The bailout, at a cost to the taxpayer of more than Y685bn (£4.35bn), is deeply unpopular. It will be fiercely opposed by the opposition and even by some members of the coalition parties; it may yet require much political bloodletting before it is allowed to pass into law as part of the fiscal 1996 budget by the end of March. So it was that politicians and party officials spent the weekend in an especially lethal game of pass the parcel.

Within hours of Mr Tomiichi Murayama's resignation as prime minister last Friday, the current incumbent at the finance ministry, Mr Masayoshi Takemura, announced his intention to quit.

Mr Takemura has already come in for criticism over the bailout plan, and seems to have been only too pleased to take the opportunity to spend more time with his New Harbinger party, the smallest member of the coalition.

But Mr Takemura's departure presents a serious political problem for the Liberal Democratic party of Mr Hashimoto.

It is the largest party in the coalition, but it suited the LDP to have one of the smaller parties take the finance portfolio.

The LDP is especially vulnerable on the question of responsibility for Japan's financial woes, because it was successive LDP governments in the 1980s and early 1990s that pursued the policies and permitted the administrative negligence that allowed the bubble economy to inflate out of control.

It was in that period that reckless lending by the housing loan companies, or *jusen*, sowed the seeds of their collapse last year.

With Mr Takemura going, the LDP's favoured solution was for a socialist to take the reins. LDP strategists argued the Social Democratic party was the only party with a clean political record on the *jusen* question, since it had not held office in the bubble period.

An SDP finance minister would therefore be in a stronger position to whip the legislation through, and would also be more likely to succeed in bringing along the recalcitrant members of his own party.

Briefly, Mr Wataru Kubo, SDP secretary-general, was flagged by some LDP officials for the job. But the SDP leadership saw the danger. "We will accept any job in the cabinet except that of finance minister," an SDP official was quoted as saying.

The SDP's popularity has plummeted in the past two years, and there would be few surer ways of reducing it further than for it to be implicated in the *jusen* mess. That appeared to leave the LDP with no choice but to grasp the nettle. But who would take on the unenviable job? It needed to be someone of seniority and stature commensurate with the delicate nature of the post, but again there appeared to be few willing victims.

One Sunday newspaper reported that Mr Seiroku Kajiyama, a former secretary-general of the party, had been prevailed on to step up to the plate. But yesterday he too refused. The next in line appears to be Mr Hiroshi Mitsuzuka, also a former LDP secretary-general.

Mr Hashimoto himself, who was finance minister from 1989 to 1991, is under increasing attack for his own role in the *jusen* débâcle. During his term of office, the ministry made a number of crucial errors, including ordering leading banks to cut property-related lending while leaving the *jusen* free to carry on with theirs.

In an attempt to secure support for the bailout, the coalition yesterday reaffirmed its commitment to investigating the causes of the mess and to pursuing those deemed responsible. It is a promise that may yet come back to haunt Mr Hashimoto.

Ryutaro Hashimoto, right, Tomiichi Murayama, centre, and Masayoshi Takemura yesterday AP

CURRENT ACCOUNT SURPLUS FALLS LESS THAN ECONOMISTS HAD EXPECTED

Japan's politically contentious current account surplus shrank for the third month in a row in November, providing more evidence of its growing appetite for imports, William Dawkins writes.

The surplus declined by a less than expected 36.5 per cent from the same month the previous year, to $7.01bn, according to preliminary figures from the finance ministry. Economists had expected the surplus to fall further, on average to about $6.6bn.

But they were surprised by a smaller than expected shortfall on the services account of $367m, less than half the $804m services deficit in November 1994.

A sharper than expected rise in investment income more than outweighed an increase in the deficit on foreign travel, said ministry officials. The deficit on the long-term capital account narrowed sharply, from $17.6bn to $8.9bn over the same period, caused by increased buying of foreign bonds by Japanese investors.

The surplus in manufactured trade, meanwhile, dropped by 24.3 per cent year-on-year to $8.28bn. Exports rose by a mere 1.4 per cent to $33.87bn, a sign of the lack of growth in Japan's main foreign markets. Within this, car exports plunged by 18.3 per cent and telecommunications equipment by 14.4 per cent.

Imports continued to race ahead, by 13.9 per cent to $25.6bn, despite the weakness of Japan's domestic economy.

Purchases of foreign goods were distorted by an unusually large increase in aircraft imports. But the underlying trend, as in previous months, is for continued growth in imports of manufactured goods, such as computers, imports of which nearly doubled; office equipment, where imports rose by 83 per cent and electronic components, said the ministry.

The rise in imports is a sign of a change in Japan's industrial structure, as well as the price advantage accorded to foreign goods by the yen's strength, argued economists in Tokyo.

The growing number of Japanese companies to replace local production with imports from low cost overseas plants suggests that the surplus will continue to decline even if the yen weakens substantially, said Mr Masaru Takagi, chief economist at Fuji Research Institute.

Taiwan protest at treasures on tour

By Laura Tyson in Taipei

Protests have thrown into jeopardy a rare tour of priceless Chinese artworks in the US set to begin in March, in what would be the first such overseas exhibition in more than three decades.

Writers, artists and politicians demonstrated outside Taipei's National Palace Museum at the weekend, charging that some of the works were extremely fragile and could be damaged during the tour. Protests centred on 27 paintings and calligraphy from the Sung and Yuan dynasties (960-1368AD), "national treasures" displayed for 40 days once every three years and not permitted to tour in Taiwan.

Mr Chin Hsiao-yi, the museum director, was asked to appear before the legislature yesterday. Mr Chin had earlier said he would refer the matter to Taiwan's cabinet for a final decision. He asked that the Control Yuan, a high-level government watchdog agency, investigate allegations that the motive for the tour was to enhance Taiwan's diplomatic status.

The tour is set to run for more than a year, in New York, Washington, Chicago and San Francisco. The last time the museum allowed artworks to go overseas was in 1961, when the same collection was shown in the US.

In the past, Taipei would not allow pieces from the museum collection to travel overseas for fear Beijing might try to seize them, using the claim they were "stolen" from the mainland. Under an agreement signed with New York's Metropolitan Museum of Art after three years' negotiations, a total of 475 works (145 masterpieces of painting and calligraphy and 330 antiquities) will be included in the tour.

The National Palace Museum houses the world's biggest collection of Chinese art. The works were brought to Taiwan by the Nationalist government before the communist takeover of *mainland China in 1949.*

UK 'to back HK after handover'

By Simon Holberton in Hong Kong

Mr Malcolm Rifkind, UK foreign secretary, yesterday pledged Britain would continue to stand up for Hong Kong's interests after its transfer to China next year.

Mr Rifkind indicated that Britain's "special obligation" to Hong Kong meant it would offer refuge to Hong Kong political dissidents if needed.

He also was "very willing" to look at legal avenues, such as the World Court, if China breached the 1984 Sino-British Joint Declaration, the treaty *which provides the legal basis* for Hong Kong's reversion to China in 18 months.

In a 75-minute session of questions before Hong Kong's Legislative Council (LegCo), he *sought to counter the impres*sion of Britain's irrelevance in Hong Kong affairs.

But, in applying increased pressure to Beijing, he made it plain Britain's only means of achieving its aims were those of persuasion. "I cannot suggest to you we have a physical power," he said.

Mr Rifkind indicated that he would warn China's leaders on the outlook for Hong Kong. He had detected "significant concerns, genuine problems of confidence" and "genuine uncertainty" about the future.

The foreign secretary travels to Beijing today to meet China's leadership. He is due to see Mr Jiang Zemin, state president, Prime Minister Li Peng, Mr Qian Qichen, foreign minister, and *Mr Lu Ping*, head of Hong Kong affairs.

Not since Mr John Major, the UK's prime minister, travelled to Beijing in 1991 has a British politician been received by so many senior leaders, an indication Beijing wants better relations. Mr Rifkind dismissed suggestions his meetings might be overshadowed by a UK television programme about orphanages in China.

In LegCo, he made it clear Britain did not feel obliged to take Vietnamese boat people still left in Hong Kong at the *end of British rule. He told leg*islators the UK would do its best to see an estimated 22,000 boat people at present in Hong Kong repatriated, but that was up to Hanoi. "It is a Hong Kong problem and comes within the concept of autonomy."

The foreign secretary's comments angered legislators who said that in 1979 the British government had forced Hong Kong to become a refugee colony for the Vietnamese. The comments are bound to anger Beijing, which regularly calls on London to assume responsibility for the boat people in the event all are not repatriated by 1997.

In none of Britain's diplomatic contacts with China had *Beijing said it had accepted a* recommendation to water down the Hong Kong Bill of Rights, Mr Rifkind added.

Suzhou offers Singapore-style gate to the Chinese market

Development zone draws on island's formula for economic success

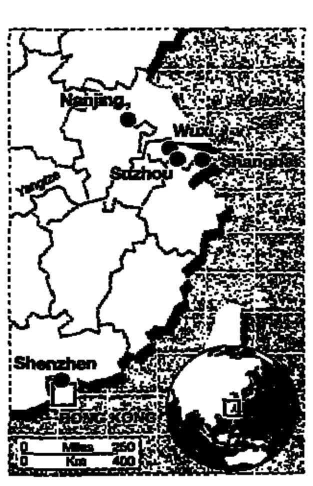
At Jurong town in Singapore a missionary zeal pervades the local corporation's headquarters. The 63 sq km industrial zone, feted by Singapore as the island state's recipe for economic development, is cloning itself to create what has widely been dubbed "little Singapore" in China.

Described by Singaporean officials as a "software transfer" programme, the island state's government is setting up a US$20bn replica of Jurong at a 70 sq km joint Singapore-Chinese township in Suzhou, 110km west of Shanghai.

Alert to Chinese sensitivity on questions of economic sovereignty, government officials discourage the use of the term "little Singapore". Investors at the Suzhou industrial park, however, which was launched in 1994 and has attracted US$1.4bn investments to date, say it is explicitly modelled on its Singaporean parent.

"Singapore is the last of the 'four little dragons' to invest in China," said Mr Zhang Xin Sheng, mayor of Suzhou and a graduate of Harvard Business school. "But it has been the most thorough and rational of all the dragons. We look at Singapore and then at Hong Kong's zones in southern China and we say we prefer the Singaporean approach. It is more disciplined and it is based upon social order."

The township, which is located next to the (almost completed) Nanjing-Shanghai highway and is less than two hours from Shanghai port, is the only economic zone in China majority owned by a foreign government. *Mr Lee Hsien* Loong, Singapore's deputy prime minister, and Mr Li Lanquing, Chinese vice-premier, have agreed to meet annually to monitor the township's progress. Officials on both sides say that the zone's government-to-government imprimatur is the firmest guarantee of foreign investor confidence.



"We know that when we have paid for our business licence and for our land use rights in the township there will be no unexpected hiccups," said Mr Laurie McColl, chief executive of RJR Nabisco's biscuit plant in Suzhou. "Elsewhere in China 'hidden costs' tend to crop up just when you think the whole thing's been signed and sealed."

The township, which will eventually have a population of 600,000, has launched an aggressive drive to persuade multinational companies with regional headquarters in Singapore to choose Suzhou or Wuxi – a smaller Singaporean industrial park 50km further down the Yangtse valley – as their *base in China.*

So far more than 40 companies, including Seagate, Siemens, Sumitomo Electric and RJR Nabisco, have responded to the offer. Many of these companies have also set up production plants on the Indonesian island zones of Bintan and Batam facing Singapore which are under the joint management of the island state. Singapore is also in negotiations with the government of Vietnam to set up a similar industrial zone near Ho Chi Minh City in the south.

"The Suzhou industrial township is merely the biggest Singaporean joint venture in a series of industrial parks around the region," said Mr Lim Swee Say, managing director of the Economic Development Board in Singapore. "We are deliberately regionalising our manufacturing operations in order to remain competitive."

The Suzhou authorities admit that the capital costs of installing reliable power and water supply in the zone as well as training Chinese officials in Singapore means that the Suzhou township is more expensive than other economic zones around China. Suzhou authorities argue, however, that foreign investors prefer the reliability of the Singaporean administrative machine to the often chaotic approach found elsewhere in China.

Chinese officials, including Mayor Zhang, who was appointed to run Suzhou by the state council in Beijing, say that the Chinese government is monitoring the industrial township closely with the view to replicating the formula elsewhere in China.

Government officers associated with the project are fond of repeating a quote from Mr *Deng Xiaoping, China's octoge*narian leader, made on a visit to Shenzhen (the fast growing zone on the border with Hong Kong) in 1992. "Singapore enjoys good social order and is well-managed. We should tap their experience and learn how to manage better than them," he said. Mr Deng's remarks were widely interpreted as a veiled criticism of Hong Kong's *laissez-faire* system.

Singapore's more integrated and state-led approach to economic development is reflected in the ownership structure of both the Suzhou and Wuxi industrial parks in the Yangtse basin. Most of the island state's leading government owned corporations, including Singapore Technologies Industrial Corp and Jurong Town Corporation have a stake in the joint ventures. In both cases the Chinese municipal authorities retain 35 per cent ownership.

"This is an experiment which will not fail," said Mayor Zhang. "Mr Lee Kuan Yew [Singapore's senior minister] himself has said that Singapore would view it as a personal failure if the industrial park did not succeed. We take this to be a sign of absolute confidence in the venture."

Whether foreign investors show as much confidence in the Suzhou township as Beijing and Singapore is another matter. Companies that have already invested in the two industrial parks, however, say that the proliferation of various technological and economic zones throughout the country means that zones are increasingly competing on quality of management rather than cost.

Multinationals accustomed to the Jurong Town Corporation's dirigiste management style in Singapore say that *they made their choice when* they moved to the island state.

Edward Luce

ASIA-PACIFIC NEWS DIGEST

Indonesia raises minimum wage

Indonesia will raise its basic minimum wage by an average 10.63 per cent nationwide from April, two percentage points higher than the 1995 official inflation rate of 8.64 per cent. Mr Abdul Latief, manpower minister, urged workers not to react negatively to the increase, adding he hoped a "more meaningful" rise could be introduced in 1997. Last year's increase averaged 18.6 per cent. The national average wage is Rp4,073 ($1.80) a day against Rp 3,711 in 1995. "The rise is the maximum which can be reached at this moment," Mr Latief said, referring to the government's attempts to avoid the *economy overheating and to promote non-oil exports.*

Last year, strikes and labour riots occurred around the country as workers protested against employers they alleged were not paying the new minimum wage. "Workers have the right to strike but I ask them not to take such action, but to consult beforehand with the leadership of companies," Mr Latief said. "I also ask the leadership of companies to understand workers' requests". *Manuela Saragosa, Jakarta*

Beijing brewer takes over rival

The advance of the concept of bankruptcy in China moved a step forward after Beijing Yanjing Beer Group completed the first takeover in China's capital of a debt-ridden state enterprise. Yanjing Beer, which produces Beijing's most popular beer, agreed last September to acquire its bankrupt competitor, Huasi Beer Group, and to pay off its debts in return for taking over its property. "We are both state-owned," said Mr Ding Guangxue, Yanjing manager. "This does not mean we do not have to pay for its assets. We are paying off its debts as a way of buying its assets." Yanjing began production from Huasi's plants on Saturday after a three-month restructuring. It agreed to take on all Huasi's workers. *Reuter, Beijing*

Indian red tape criticised

India's state appointed Planning Commission has criticised the government's implementation of economic reforms begun four years ago, saying foreign investors still need to fight through too much red tape. "Even after four years' reforms, a private investor has to secure at least 39 clearances to roll a project," the Economic Times on Monday quoted a mid-term review by the commission as saying. "The government should concentrate on paring the revenue deficit rather than reducing the fiscal deficit. Once the revenue deficit is tamed, fiscal deficit will be taken care of." The fiscal deficit has been independently forecast by various trade bodies at around $23bn in the year to March, higher than the government projected figure of $18bn. *AFP, New Delhi*

Strike idles Bangladesh business

Bangladesh was virtually paralysed on Monday when a 48-hour general strike called by opposition parties took hold across the country. No transport except rickshaws plied the streets. Trains stood idle and most ferries stayed at anchor. Airport officials said domestic and international flights were likely to be cancelled or delayed. Most offices and businesses were closed. Ministers and senior bureaucrats were escorted to work by police. The country's main port of Chittagong was paralysed but the other port at Mongla was partly operating, officials said. *Reuter, Dhaka*

■ Taiwan's trade surplus in December last year was US$1.29bn, up 73.1 per cent from the same period a year ago, the finance ministry said. The trade surplus in the whole of 1995 was US$8.12bn, up 5.4 per cent from 1994. *Reuter, Taipei*

■ China collected Yn69.87bn ($8.4bn) in customs duties, value added tax and consumption taxes on imports in 1995, the official People's Daily said yesterday. The official target was Yn65bn. *Reuter, Beijing*

Shutdown backlog delays US visa applications

By Richard Adams

There were long queues and delays yesterday for those seeking US visas as embassies reopened after a three-week shutdown.

Bad weather prevented federal employees returning to work in Washington but embassy staff around the world were back at their desks after the interim budget deal last week by Congress and the White House.

But the long shutdown, the result of an impasse between the White House and Republicans in Congress over the federal budget, will mean long waits for those needing to work or study in the US.

The US embassy in London turned away all applicants without previous appointments yesterday, while its telephone appointments service (a premium-rate line) was busy all day. An embassy spokesman said all current appointments would be valid, while those cancelled during the enforced closure would be rescheduled. No new appointments are available before the start of next week.

Mr Andrew Ferris, a British student waiting to renew his visa, said he was told by embassy staff: "We hope people will complain as much as possible so Congress gets to hear about this."

The interim back-to-work formula, which restores funding for some federal services, is to expire on January 26. After that, a broader budget agreement or a further stopgap measure would be needed. So, embassies may close again before clearing the current visa logjam.

In Germany, where US officials deal with 8,000 applications a month, there were queues in Bonn and Berlin. In Bonn, an embassy spokesman said there were queues outside, but that it was "too cold for fights to take place".

Brazilians wanting to travel faced long delays. In São Paulo, applicants began to queue on Saturday and the line stretched around two city blocks by yesterday morning.

In Turkey, potential applicants were asked by the embassy in Ankara to wait a week, allowing staff a chance to clear the backlog.

Two hundred hardy South Korean applicants were waiting in sub-zero temperatures outside the embassy in Seoul yesterday morning.

But no delays were reported at the Tokyo embassy, where all applications were cancelled when the US government closed on December 15.

Arzú leads Guatemala poll race

Pro-business candidate Mr Alvaro Arzú edged into the lead yesterday in Guatemala's presidential election, ahead of his populist rival Mr Alfonso Portillo, Reuter reports from Guatemala City.

With more than 90 per cent of the vote counted officially after the poll on Sunday, Mr Arzú led with 51.84 per cent, to 48.16 per cent for Mr Portillo. The latter is seen as the front man for the former military dictator, General Efraín Ríos Montt.

Only 37 per cent of eligible Guatemalans voted in the second round run-off, kept away by bomb threats, dirty tricks and a disillusion with both candidates.

Mr Arzú began unveiling his plans for government yesterday, with promises to rein in the powerful army and respect human rights.

"We will not allow the army or any other nucleus of power in the country to act beyond their boundaries and the role for which they were created," he said. "The government we head will have absolute respect for human rights."

He said his National Advancement Party (PAN) would immediately introduce a 180-day plan to tackle the soaring crime rate, a main concern of voters.

Mr Portillo, a lawyer and economist, said he was going to his native province of Zacapa to drink beer with his friends. "We will play a constructive role in opposition. We had the whole system against us ... and we nearly won the presidency."

Argentina tackles 'Wal-Mart effect'

David Pilling finds that keen competition and low growth are raising unemployment

It is already being called the "Wal-Mart effect". The recent arrival of the US discount retailer, in a year of sharp recession, has encapsulated two important trends in the rapidly restructuring Argentine economy: industrial concentration and deflation.

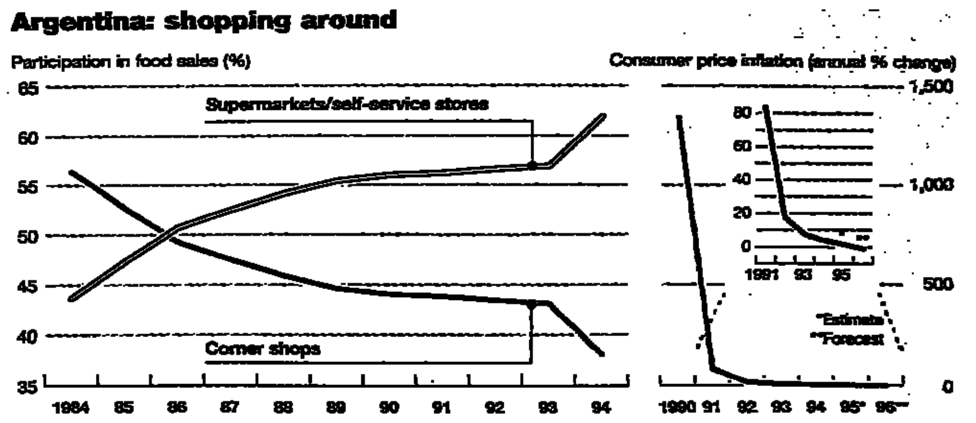
"How much is that?" is not a phrase one hears often in Buenos Aires. Most Argentines, whose sense of monetary value has been distorted by half a century of high inflation and an overblown sense of their own wealth, are not habitual comparative shoppers.

That is, until now. Last year's credit crunch, which caused gross domestic product to drop by an estimated 2.5 per cent, coupled with record unemployment, has made Argentine consumers very cautious. In 1995, after a four-year shopping spree spurred by the 1991 slaying of hyperinflation, demand dropped an estimated 5.4 per cent.

The opening last October of the first Wal-Mart had bargain-hunters galore to see whether the new store could beat the prices of its rivals in Argentina, Carrefour of France and Jumbo of Chile. The phrase "price war" entered the country's conversation.

Now automakers, which for years have sold overpriced cars on a captive market, have reacted to plummeting demand by slashing the prices of new cars by up to 40 per cent. Rents have dropped by as much as a quarter, while leaflets offering discounts on haircuts to steak dinners litter the pavements. Cabbies say customers now ask for their change, no longer prepared to see their fare rounded up to the nearest peso.

Argentina: shopping around



Source: Nielsen

Source: Orlando Ferreres, Alpha

Wages, too, have been falling. In the public sector, the federal government – hit by declining tax revenue – cut the salaries of better-paid employees by up to 15 per cent. Private companies, such as the automaker Ciadea and Aerolineas Argentinas, the flag-carrying airline, have trimmed pay packets or demanded longer working hours for the same money.

Consumer price inflation fell to 1.6 per cent in 1995, a year with four months of negative inflation. When prices fell by 0.4 per cent in March, that was the first deflation in 30 years. The price squeeze came despite very high commodity prices and the fact that value-added tax was raised by 3 percentage points. With those factors taken out, says Mr Pedro Lacoste of the Alpha economic consultancy, deflation of 2-3 per cent occurred in 1995.

He believes that consumers will remain very reticent in 1996, forcing further price cuts. He predicts that, despite a modest recovery in demand, consumer prices will fall by about 1 per cent.

Deflation, with productivity gains estimated by Mr Lacoste at 6 per cent a year since 1991, are helping to make Argentine products more competitive abroad. Last year, exports grew by about 30 per cent and there should be a further rise of more than 10 per cent this year.

But deflation brings dangers of spiralling recession, as consumers delay purchases. Most economists are predicting, at best, very modest growth of about 2 per cent this year. Also, tumbling prices are not positive for the financial sector, reducing the value of a bank's portfolio and making debts harder to collect.

There may be difficult consequences of a second Wal-Mart effect – "part of the phenomenon of economic concentration" that has swept through Argentina since it liberalised its economy in the early 1990s, says Mr Fernando Navajas, of the FIEL economic think tank.

Argentine industry had become very fragmented after half a century of protection. Small factories turned their hand to making consumer and industrial goods. Quality and price were not of great importance in a market with little outside competition and price-distorting inflation.

In the retail sector, "there was an overabundance of small shops," says Mr Carlos Paciarotti, director of institutional relations at the Disco supermarket chain. "Anyone could be a butcher, a grocer or a baker. This can't go in a country that's trying to become serious and developed."

The rise of supermarkets in the past decade, and especially in the last four years, has put tens of thousands of small shopkeepers out of business. In 1984-94, the participation of supermarkets and self-service stores in total food sales rose from 43.6 to 62 per cent, according to one study. The trend was almost certainly accelerated last year.

"Argentina is changing its course, its history," says Mr Paciarotti. "In this transformation, there are those who are left by the wayside and those who benefit. It's not a question of sentimentalism but of economic reality."

Mr Navajas says supermarket growth reflects the "formalisation of the Argentine economy." Big supermarkets pay taxes; small shopkeepers generally do not, he says. "From the fiscal perspective, such concentration brings spectacular results."

Greater efficiency and lower prices are also yielding high unemployment. In the past four years, as inefficient businesses have been weeded out, the jobless rate tripled to 18 per cent before edging downwards. For decades, Argentines had taken near-full employment for granted.

Mr Eduardo Duhalde, the powerful governor of Buenos Aires province, believes that productivity gains can be too much of a good thing. In a recent speech, he advocated the abandonment of job-destroying machinery and the return to the pick and shovel to get Argentines back to work.

But Mr Lacoste says: "Competition, concentration and reduction of prices" will prevail. "We're still in this wave. Whether, in two or three years time, we will slow the process because of the negative social implications, it is too early to say."

AMERICAN NEWS DIGEST

Strong growth for Brazil cars

Brazil's car industry yesterday announced another record year and industry leaders predicted further growth this year to confirm the country's position as one of the fastest growing car markets in the world.

Domestic sales increased 13 per cent to 1.36m vehicles, while total production, held back by sluggish exports, increased 3.4 per cent to 1.64m units.

Mr Silvano Valentino, president of the Brazilian vehicle manufacturers' association, predicted further growth of 5 per cent for the domestic market this year and a slight recovery in exports to put total production at 1.7m-1.9m units. This would mark the sixth successive year of growth for the industry, whose production has increased about 80 per cent since 1990.

Production is expected to rise further towards the end of the decade as several new car plants come on stream. The industry remains confident of increasing annual output beyond 2m units by 2000.

The two black spots were exports, affected by the economic slowdown in such markets as Argentina and Mexico, and agricultural machinery, where domestic sales fell by 50 per cent following a sharp recession in the farm sector. *Angus Foster, São Paulo*

Mexico 'recovering'

Mexico's economy "has begun to recover", according to Mr Jean-Claude Paye, secretary-general of the Organisation for Economic Co-operation and Development.

On a short visit to the country, he predicted that, despite a difficult first quarter, Mexico's gross domestic product would grow by 3 per cent this year, while the inflation rate would be 20 to 30 per cent.

The Mexican economy is thought to have contracted by some 7 per cent last year after a devaluation of the currency, but Mr Paye said that he took heart from recent upward trends in unemployment, private consumption and investment. *Daniel Dombey, Mexico City*

Trinidad ex-PM under pressure

Mr Patrick Manning, the leader of Trinidad and Tobago's opposition People's National Movement, is under increased pressure to resign after a rebellion led by the party's three deputy leaders. They are unhappy with his handling of the general election last November.

Mr Manning, then prime minister, called the election a year before it was due. He was forced into opposition after the United National Congress and the National Alliance for Reconstruction joined forces to form a government with a two-seat parliamentary majority.

Mr Manning is refusing to resign. PNM officials say the rift caused by the resignations of his three deputies could split the party. *Canute James, Kingston*

Longer UN stay in Haiti

A UN multinational force which has been assisting local police in Haiti is likely to stay after its current mandate expires at the end of next month, following a request to the UN by Mr René Préval, Haiti's president-elect.

The size of the force, now 6,000, will be reduced, however, as the US contingent of about 2,000 has already started to pull out. Mr Préval's request went to UN officials at the weekend. It followed indications over recent months that Haiti's new civilian police need more training to deal with sporadic street violence. If the UN agrees to the request, the force will stay until the end of August. *Canute James, Kingston*

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Further details may be obtained from, and all offers and enquiries should be directed to, the Joint Receiver, Alan D.J. Amoore, CA, KPMG, 37 Albyn Place, Aberdeen AB9 1JE. Tel: 01224 591000. Fax: 01224 590909.

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Sale of Engineering Support Group

The United Kingdom Atomic Energy Authority ('The Authority') is offering its Engineering Support Group ('ESG') at Dounreay, Caithness for sale by competitive tender.

The proposed sale offers prospective purchasers an opportunity to acquire a significant provider of close support engineering services with specialist knowledge of the nuclear industry and of providing close support engineering in hazardous environments. Upon divestment ESG will enter into a five year contract with the Authority.

Parties who are interested in acquiring ESG should contact the Authority's financial advisers, Binder Hamlyn, in writing as soon as possible, at the following address:

Binder Hamlyn
20 Old Bailey, London EC4M 7BH

Facsimile 0171 489 6291
For the attention of Pommy Sarwal

An Information Memorandum will then be provided. This will include the Authority's Objectives for Sale together with details of the sale process. Parties will have until 5.00pm on Tuesday 6 February 1996 to submit Indicative Offers after which further information will be made available to shortlisted prospective purchasers to enable them to submit a Final Offer.

Formal registration of interest will only be received from principals. Joint and consortium bids will be considered.

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Prequalification Notice

The Antalya Water Supply and Sanitation Authority (ASAT) is the newly established water and sewerage undertaking for Antalya, a metropolitan municipality on the Southern coast of the Republic of Turkey with a rapidly growing population (estimated resident in 1995 - 535,000; projected to 2005 - 960,000, with substantial seasonal increases due to tourism). It is seeking to let a ten year operating contract for water and waste water services.

ASAT has obtained loans from the International Bank for Reconstruction and Development (IBRD) and the European Investment Bank toward the costs of the Antalya Water Supply and Sanitation Project, which involves a major capital programme of works over the next seven years to provide new infrastructure (largely absent at present in the case of sewerage). The project also provides for new institutional arrangements involving private sector participation in the future management and operation of the services. The services to be provided by the operator will be financed by the revenues of the water supply and sewerage system. The services sought will include:

1. Operation and maintenance of water supply, sewerage and sewage treatment infrastructure.
2. Billing and collection of charges for water and waste water services and, possibly, billing of charges for solid waste collection and waste disposal.
3. Assistance with the development of asset records.

The contract will be let through international competitive bidding. It is expected that bids will be invited in the first quarter of 1996.

Operators who have previous experience of similar assignments in cities of comparable size are invited to prequalify for this assignment.

Evaluation will be based on contractors' experience, capacity and financial standing, with particular emphasis on experience of similar work in comparable locations.

Joint ventures between foreign and domestic firms are permitted, but are not mandatory.

Prequalification forms and further information may be obtained on payment of a charge of US$500 to the account of ASAT Genel Mudurlugu Vakiflar Bankasi Sarampol Subesi Account No: 1070 Antalya Turkey. Please present your proof of payment and a letter requesting the documents in person, by mail or by fax to:

Project Management Unit,
Kazim Ozalp Caddesi Sarilar Ishani,
No. 80-13 07040
Antalya, Republic of Turkey.
Attention: Mrs. Sevgi Isbir,
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Completed questionnaires in English must be submitted to PMU one month after the date of publication of this notice.

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The Financial Times plans to publish a Survey on

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NEWS: INTERNATIONAL

Britain defends industry posts for diplomats

By Bruce Clark and Roula Khalaf

The UK government has defended its practice of encouraging certain diplomats and civil servants to take up non-executive directorships in the private sector where their expertise could be relevant.

The issue provoked controversy after it emerged that Mr Andrew Green, head of Middle East policy at the Foreign Office and ambassador-designate to Saudi Arabia, is on the board of Vickers Defence Systems. The company is a subsidiary of Vickers, which is bidding to supply Challenger tanks to Saudi Arabia.

Mr George Galloway, the opposition Labour MP who has led criticism of the British government over its policy in Saudi Arabia, said he was writing to Mr Malcolm Rifkind, the foreign secretary, to protest strongly over Mr Green's involvement with Vickers.

The MP said he wanted an end to the "double hatting" of diplomats in such sensitive areas as defence and full publication of the rules governing public servants' involvement in the private sector.

However, a Foreign Office spokesman insisted the appointment of Mr Green to the Vickers board was perfectly legitimate, in line with a policy of encouraging the civil service to offer skills to private industry. He said added one other senior diplomat, and over 20 senior figures in other civil service branches, were combining their public-sector duties with non-executive directorships in the private sector.

The number of diplomats who combined active duties with directorships had been as high as six.

The Foreign Office said Mr Green had taken up his directorship in spring 1994, around the same time as he took charge of the Middle East department, but he would give up the Vickers job before heading for Riyadh.

Mr Galloway said he remained unimpressed by the justifications offered by the Foreign Office. Meanwhile a well-placed observer of British policy in the Middle East said Mr Green's appointment to Vickers followed complaints that the Foreign Office was too remote from industry's needs.

Sir Michael Alexander, former UK ambassador to Nato who now works at the investment bank Wasserstein Perella, said temporary secondments from the Foreign Office were common, but "it wasn't the practice" in his career to hold both functions at once.

Asylum offer irks Dominica opposition

By Canute James in Kingston and Roula Khalaf in London

The opposition in Dominica has rejected an agreement between the Caribbean island government and Britain to accept Mr Mohammed al Massaari, the Saudi dissident, saying it would harm relations with Saudi Arabia.

Mr Brian Alleyne, the opposition leader, said Mr al Massaari's presence on the eastern Caribbean island would be "unwise," and could "embarrass" the country.

However, Mr Edison James, the prime minister, said there was no cause for concern and that the offer of asylum would not upset any possible development of relations with Saudi Arabia.

Mr al Massaari, who had sought political asylum in the UK, was offered asylum by Dominica after being ordered to leave Britain when his application was refused. Mr al Massaari contends that his safety would be at risk on the island and that he would be unable to practice his religion. He was given 10 days to appeal or else report on January 19 for deportation to Dominica.

The prime minister said he had been assured by the British government that Mr al Massaari was not involved in any criminal or terrorist activities, either in Saudi Arabia or in Britain.

Mr James also rejected opposition suggestions that his government was the beneficiary of a "deal" with Britain, whereby Dominica would receive aid in return for accepting Mr al Massaari.

He said the move had been initiated by Britain, which asked whether the island's government would consider an application from him for asylum, "should he so request".

Mr al Massaari said at the weekend that he was unlikely to end up living in Dominica. He is appealing against his removal order and is looking for asylum in other countries. He said that the flurry of publicity surrounding his case and the public outcry it had generated would help him find a sanctuary.

US troops offered to guard Golan

By Julian Ozanne in Jerusalem

Mr William Perry, US defence secretary, yesterday said that Washington was willing to station American troops on the Golan Heights to guarantee a peace treaty between Israel and Syria.

"If the peace agreement between Israel and Syria is reached... and if that calls for a peace monitoring force in the Golan heights and if both Israel and Syria request the US to participate in that, we are prepared to do it," Mr Perry said during an official visit to Israel.

The US offer bridges a gap in Syrian-Israel peace talks. Israel has insisted that once it withdraws from the Golan Height in return for full peace with Israel it should retain an early warning capability on the strategic plateau. But Syria has firmly ruled out the possibility of Israeli troops remaining on the Heights after implementation of a peace agreement. US troops might provide a compromise acceptable to both sides.

Israeli peace negotiators who returned to Israel at the weekend from talks with their Syrian counterparts in Maryland have told Prime Minister Shimon Peres that the two sides achieved important progress last week. Mr Uri Savir, chief Israeli negotiator, told Mr Peres that the Syrians had made their first firm commitment to a full vision of peace including the opening of diplomatic missions, trade, regional economic relations and tourism.

Mr Savir also reportedly told Mr Peres that Syrian President Hafez al-Assad was interested in reaching a peace agreement before Israeli elections scheduled October 29 and agreed with Israel that an Israeli-Syrian peace deal would serve as the basis for a regional peace agreement which would include most of the Arab states.

Mr Warren Christopher, US secretary of state, is expected to arrive in Israel tomorrow to undertake a shuttle mission between Damascus and Jerusalem to thrash out an agenda for further talks. Mr Christopher is expected to focus his diplomatic efforts on persuading Syria to increase its negotiating delegation to include a senior military official and a senior economic official to allow both sides to start talking about details of security arrangements and economic relations.

● The US has pledged $200m over five years for the Arrow project designed to intercept incoming missiles. Much of the Arrow's $500m initial development cost was approved in the 1980s as part of the US Strategic Defence Initiative.

Its development was accelerated after Iraqi Scud missile attacks on Israel during 1991 Gulf war. Israel said a test launch of the missile last July had been successful and it could be operational within two years.

Arafat critic eyes victory in Palestinian election

By Julian Ozanne

One independent candidate likely to get elected in next week's Palestinian elections is Mrs Hanan Ashrawi, the former Palestinian peace negotiator and critic of Palestinian leader Yassir Arafat's human rights record.

Mrs Ashrawi is running for a reserved Christian seat in Israeli-occupied Arab East Jerusalem and her candidacy highlights two of the most important issues of the campaign: the extent to which Palestinian voters will back critical voices in the new legislative council and the emerging Palestinian battle for the future of Jerusalem.

However, several factors count against Mrs Ashrawi; she is not from a prominent family, she is female and has had little political history before her emergence as the Palestinian spokeswoman at the 1991 Madrid peace talks. But she is widely respected, among both Christians and Moslems, for her integrity, honesty, and ability to stand up to Mr Arafat.

The need to curb Mr Arafat's authoritarian governing style has emerged as an issue in the campaign.

"What we need is constructive criticism. We need a council which does not act as a rubber stamp. We need criticism and honesty, an alternative voice and agenda and work ethic and we need to create a system based on moral values, accountability, merit, capability and experience which is efficient and above board and capable of safeguarding basic rights and freedoms," Mrs Ashrawi said.

Mrs Ashrawi's campaign platform focuses on raising these principles. She is also adamant on the need for meritocracy and professionalism to characterise forthcoming talks with Israel on final issues including borders, statehood, Jerusalem and Jewish settlements. She also has a detailed programme of social reforms.

Mrs Ashrawi is likely to get elected on the basis of her public stance and history. However, for her to be more than a lone voice in the new council, Palestinians across the West Bank and Gaza Strip will have to vote against Mr Arafat's Fatah faction and for other independents such as Mr Haidar Abdel Shafi, the respected former head of the Palestinian peace team who is standing in Gaza. "The election will test whether people will support the party line, right or wrong, or vote for capable people of integrity they have faith in," she said.

Mrs Ashrawi's campaign also highlights the importance of the future status of occupied East Jerusalem which Palestinians want as the capital of their independent state and Israel wants to keep under its jurisdiction. After the elections, Israel will be faced with seven democratically elected representatives of East Jerusalem's 160,000 Arab residents.

Furthermore, Mrs Ashrawi says, the elections will counter Israel's policy of trying to divide East Jerusalem from the West Bank. Israel has long sought to separate Palestinians in East Jerusalem by giving them special status, offering them Israeli citizenship and closing the borders between the West Bank and the city.

"The elections will show Israel it cannot extricate Jerusalem from the Palestinian nation and in the future we will have a platform and a constituency and we will activate the council to make the issue of Jerusalem the main priority," Mrs Ashrawi said.

Hanan Ashrawi: capable of standing up to Arafat *Reuter*

Charity has new tool to fight famine

By Deborah Hargreaves

Government agencies and charities will be able more accurately to target areas of the world at risk of famine and food deficiencies with a new computer programme being developed by the Save the Children Fund.

The programme, to be launched in September, provides maps of world food needs based on extensive local knowledge gained by the charity as well as official statistics on agricultural production and climate.

It has been developed with £500,000 ($776,000) of European Union money when world wheat stocks have fallen to their lowest for 20 years. This means much smaller amounts of grain are available for food aid to poor countries.

Britain's Princess Anne, president of the Save the Children fund, told the Oxford Farming conference in the UK last week that African families faced greater food insecurity than at any time during the past decade. The US has forecast food aid needs will double by 2005 to 27m tonnes.

"Now that food aid is much more expensive, this programme will enable governments to be much better at arguing for it and targeting it at the right places," Mr Julius Holt, risk mapping adviser to the charity, said.

The computer model takes traditional government calculations about food deficiencies one step on by including the fund's own extensive database of information on household budgets in poor areas and the measures people take to survive drought and bad harvests.

It can be programmed with relevant information about rainfall, crop production and livestock prices which present a superficial picture on their own.

Official information is superimposed on data from the charity about how families get their food, whether by farming, selling livestock or firewood, or casual labour, and what resources they have to fall back on in times of hardship. The programme also notes lack of market opportunities if war or local tensions occur.

The system then makes calculations about the impact of a change such as a shortfall in food production. It makes maps of parts of the population affected by a food deficit and its severity in different areas.

"Famines such as the one in 1984 are thankfully very rare, what we are trying to assess more often is how many people will be in great hardship in a bad year where some people will be able to survive on their stocks or other resources," Mr Holt said.

Last year, the fund analysed requests from the Ethiopian government for 61,000 tonnes of emergency food aid to cover a shortfall in the South Wollo region of the North-east Highlands. The risk map programme measured the percentage of population affected by food deficits, along with the size of household food stocks.

It found a considerable capacity to "cope" with the shortfall and that aid requirements were much more modest than the government had suggested: the worst case scenario called for 39,200 tonnes of grain.

Israeli security chief resigns

Israeli Prime Minister Shimon Peres yesterday accepted the resignation of the head of Israel's security service. Identified only by the Hebrew initial Kaf, the Shin Bet chief stepped down two days after the death of a Hamas militant, Yahya Ayyash. No one claimed responsibility for the death of Mr Ayyash, who Israel said planned a series of bombings that killed almost 80 people since 1993. But few Israelis or Palestinians doubt the secret service was behind Friday's killing, an assassination which involved sophisticated technology and good intelligence.

The killing of Israel's most wanted Palestinian has allowed the chief of the Shin Bet security service to resign with honour in Israeli eyes, two months after the assassination of former prime minister Yitzhak Rabin. *Foreign Staff*

FT man held in Nigeria

Diplomatic efforts were continuing last night to secure the release of Mr Paul Adams, the Financial Times' Nigeria correspondent, who has been detained since Thursday by the country's State Security Service. Mr Adams was arrested on Thursday morning in Bori, the main town in the oil-producing area of Ogoniland. He was then taken to Port Harcourt, where he is now being held.

Mr Adams was on a reporting visit to the region, where there have been protests against pollution by the oil industry, as well as demands that a greater share of oil revenue go to the local Ogoni people. Nine Ogoni leaders, including the writer Ken Saro-Wiwa, were executed in November after being found guilty of murder of local chiefs. An official from the British High Commission in Lagos flew to Port Harcourt yesterday for a 30-minute meeting with him. *Foreign Staff, London*

G10 in private sector plea

G10 central bankers yesterday endorsed a report by New York Federal Reserve president William McDonough calling for greater private sector involvement to reduce risks of a breakdown in the international payments system deriving from foreign currency transactions.

Mr Hans Tietmeyer, Bundesbank president and chairman of the G10 central bank governors' committee, said the report to be made public in March would "stimulate" private sector action. *AFX, Basle*

NEWS: WORLD TRADE

Dabhol power project finally gets green light

By Mark Nicholson in New Delhi

The Indian state of Maharashtra yesterday finally gave approval for the $2bn-plus Dabhol power project it "scrapped" last August to proceed, provided Enron, the US energy group leading India's biggest foreign investment project, further cut the venture's cost and power tariff.

Enron welcomed the offer, saying it was "pleased" by the "significant step in reviving" the project. Mr Kenneth Lay, Enron's chairman and chief executive officer, said further comment was withheld until the company had "reviewed and considered" any conditions in the state's offer and awaited "formal notice" of the offer.

Ms Rebecca Mark, chief executive officer of Enron Development, added that Enron was "confident we can go forward". Work could recommence at the site at Ratnagiri, south of Bombay, "within 90 days", depending on the alacrity of both state and central governments in reviewing and approving the revised agreement.

Enron's consent, pending both notification and the formalities of further state and central government approvals, would close a saga which made the Dabhol project, under negotiation since 1992, emblematic of the potential political pitfalls of foreign investment in India's newly opened infrastructure sector.

The deal's cancellation by the state's Hindu nationalist government last year sent shivers through bankers and investors entering the Indian market. The state later agreed to renegotiate the deal after Enron opened legal proceedings for damages.

Mr Manohar Joshi, Maharashtra's chief minister, said the deal would be approved if Enron cut the power tariff from Rs2.40 (6.7 cents) to Rs1.86 per unit and the total project cost from Rs90.6bn to Rs64.2bn. The state government had cancelled largely on grounds of cost. Mr Joshi added: "This is our ultimate offer. I think they will accept."

The government's suggested tariff falls below a rate of Rs1.89 per unit which Enron and a state government committee had agreed when renegotiating the deal last November. Mr Joshi's offer amounted to a further and apparently final attempt to beat down the tariff and project cost for the envisaged two-stage gas-fired power plant.

Ms Mark said the new terms were "well within the lines of what we had agreed" during renegotiations and the further cut would be possible.

Under the renegotiated deal, capital cost of the two-stage plant would fall from $2.8bn to nearer $2.5bn by spinning into a separate commercial venture a $300m re-gasification plant. Tariff unit cost would fall below Rs2.40 per unit due to greater economies arising from an agreement to raise the plant's gross power output from 2,249MW to 2,450MW. The tariff is calculated as an average over some 20 years, Ms Mark said.

Enron will seek to invite partners in the gas industry to participate in the plant, which would process the LNG for the project.

Mr Joshi also said that the state would accept Enron's offer to take a 30 per cent stake in the Dabhol project. At present Enron holds 80 per cent of the equity with GE, the US power group, and Bechtel, the US engineering and construction company, holding 10 per cent each.

Japanese cars poised for comeback in world markets

By John Griffiths

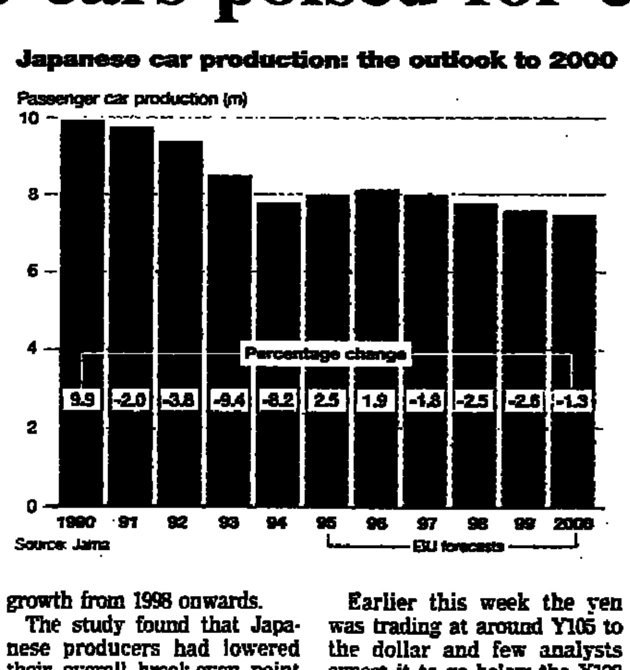
Japan's car industry, battered by recession and the soaring yen, has cut $13bn from its cost structure and is poised to make a comeback in world markets.

But the resurgence will be led by manufacturing operations outside Japan and more car plants in Japan itself will have to close, according to an industry study* by the Economist Intelligence Unit.

The pressure to cut costs exerted by the strong yen has left the Japanese industry "ultra-lean", and by 1998 it will have regained the position of world's leading vehicle producer it lost to the US in 1994, the study predicts.

The tide has turned for Japanese producers because of emerging recovery in the domestic market, the currency factor was now "waning" and expansion of manufacturing capacity outside Japan would underpin significant sales growth from 1998 onwards.

Japanese car production: the outlook to 2000



Source: Jama

The study found that Japanese producers had lowered their overall break-even point to less than Y100 to the dollar and were now targeting Y90.

Earlier this week the yen was trading at around Y105 to the dollar and few analysts expect it to go below the Y100 level in the next 12 months.

The $13bn cost cuts had been achieved through delaying capital improvements, re-engineering products, labour cuts and a squeeze on components prices.

Sounding a sombre note for European motor parts producers, the study concluded that many of Japan's 600 largest suppliers had managed to cut their costs by 30 per cent since 1993. However, there were signs the industry had begun to raise spending again.

Industry statistics to be released shortly are expected to show that Japanese makers produced 5.7m vehicles outside Japan last year, 12 per cent up on 1994 and representing a record 33 per cent of the Japanese industry's total output.

By the turn of the decade, overseas plants would be producing 40 per cent of total output.

"The Japanese have set themselves up for a further major push from within each of the world's key vehicle markets, but particularly in Asia where they have positioned themselves to capture as much as two-thirds of new demand in the region over the coming five years," the study concludes.

Exports from Japan, would continue to decline, from a peak of 6.7m in 1985 to less than 4m by 1997, helping to make a reduction in capacity inside Japan unavoidable.

Until now, Nissan has been the only company actually to close a plant – its 30-year-old Zama facility. However, Mazda has also shut down one assembly line in its Hiroshima facilities and its new plant at Hofu has been operating at only 50 per cent capacity.

Toyota, Japan's largest vehicle maker, is conducting a detailed assessment of whether it can keep all its own assembly plants open.

The strong yen was largely responsible for the Japanese industry's market share in western Europe slipping from 12.5 per cent in 1991 to around 11 per cent last year.

However, a rash of new products, the gains from further "transplant" capacity coming on stream and more competitively priced imports from Japan would give the Japanese industry the impetus to capture 15 per cent of the west European market by the end of the decade.

Western rivals also face a tightening of the competitive screw through a concerted drive by Japanese makers to bring new vehicles to market after much shorter development times.

Nissan is looking to shorten the process to 20 months, compared with its current average of 30 months, and Toyota to 18 from an average of 27. The current average for General Motors is 46 months – GM is aiming to reduce this to 38 – and for Ford, 37 months.

**Japan's Motor Industry-Reshaping for the Future. Economist Intelligence Unit, 15 Regent St, London SW1Y 4LR. £495/$775*

WORLD TRADE NEWS DIGEST

Malaysia set to buy 25 Boeings

Malaysia Airlines is expected to announce early today that it is ordering 25 long- and medium-range aircraft from Boeing of the US. The order, expected to be for 10 Boeing 747-400s and up to 15 Boeing 777s, would be the second triumph for the US manufacturer in Asia in recent months. Singapore Airlines announced an order for 77 Boeing 777s in November, delivering a blow to Airbus Industrie, the European manufacturing consortium.

Malaysian Airlines yesterday also announced that it would start a freighter service from Frankfurt to Kuala Lumpur, with a stopover in Dubai.

Meanwhile, both Boeing and Airbus are in negotiations to provide aircraft to the leasing arm of General Electric of the US. GE is believed to be talking to Airbus about the purchase of 40 smaller jet aircraft.

Industry observers believe Boeing is discussing the sale to GE of "a large number" of Boeing 737s and a smaller number of 777s. *Michael Skapinker, Aerospace Correspondent*

Tariff cuts for South Asia

South Asian trade ministers yesterday urged sweeping tariff cuts to dismantle rapidly barriers inhibiting trade in the region. The seven-nation South Asian Association for Regional Co-operation meeting in New Delhi, was urged by the Indian commerce minister, Mr P. Chidambaram, to apply zero or near zero tariffs on primary commodities in the region.

His counterparts from Sri Lanka and Nepal went further, and suggested across-the-board tariff cuts rather than the limited, product-by-product tariff reductions made so far under SAARC's month-old preferential trading pact.

SAARC, which groups India, Pakistan, Sri Lanka, Bangladesh, the Maldives, Bhutan and Nepal, is home to 1.25bn people with a combined gross domestic product of $300bn. The grouping includes some of the world's poorest nations but its leaders hope to raise standards through regional economic co-operation. *Shiraz Sidhva, New Delhi*

■ ABB, the international electrical engineering company, said its consortium with Norwegian companies Aker and the Maritime Group had won an order worth $400m to develop the Aasgard oil field in the North Sea. ABB said the consortium would produce the world's largest floating oil production ship, with an oil production capacity of about 200,000 b/d and storage for 150,000 cubic metres. *Andrew Baxter, London*

■ Cathay Pacific Airways has signed a 15-year agreement to lease three Boeing 747-200 freighters to its Air Hong Kong freight unit. The three aircraft will be purchased from the Brazilian carrier, Varig. *AFX News, Hong Kong*

مكتبة من الاهل

Banks move towards share trade reforms

By John Gapper, Banking Editor

Leading investment banks are moving towards accepting reforms to the way in which shares are traded in London in return for concessions that would preserve profitable business for them on the London Stock Exchange.

Some large marketmakers, which act as wholesale traders on shares in the largest UK companies, may be willing to move to a different method of share trading if they can still earn profits by executing big orders.

"Traders are pretty adaptable people. If something comes along that looks as though it would still allow us to make a living, we are not going to reject it out of hand," a leading marketmaker said yesterday.

The debate follows the dismissal of Mr Michael Lawrence, the exchange's chief executive, last week. Mr Lawrence was said by Mr John Kemp-Welch, chairman, to have lost the confidence of its board and its 350 members. Several large marketmakers objected to the way in which Mr Lawrence was pushing through reforms of London's share trading system. A steering committee to guide the reforms now includes three more marketmaking firms.

Under the current system, marketmakers guarantee to offer buy and sell prices on all shares while the London market is open. They post prices on the Seaq electronic bulletin board in return for a number of privileges.

However, there is growing support among market participants for a switch to order-driven trading in the largest 350 shares as part of the introduction of the exchange's new Sequence VI electronic trading platform, due in August.

Under order-driven trading, any member of the exchange can place an offer to buy or sell a block of shares at a set price on trading screens. These offers can then be matched by the system without going through an intermediary.

Marketmakers objected strongly to a proposal aired by Mr Lawrence for a "hybrid" system of share trading under which quotes from marketmakers would be shown on trading screens together with other orders to buy and sell shares.

However, some marketmakers say privately they would concede an order-driven system for the top 350 stocks as long as they were given safeguards to ensure they would continue trading large blocks of shares for big investors.

Investors might still want to trade big blocks of shares through marketmakers rather than an order-driven screen if they felt the order was too large to be absorbed by the order-driven market at a favourable price. The safeguards sought by marketmakers would include being able to delay reporting of large trades to prevent the market moving against them.

However, the exchange is likely to insist on marketmakers reporting all block trades on screens. Otherwise, this could lead to a fragmented market, with uncertainty over whether quotes offered on screens were representative.

UK NEWS DIGEST

Holiday period pushes retail sales up sharply

UK retail sales rose strongly in December as consumers stocked up for Christmas and returned to snap up bargains in the holiday sales.

However, the British Retail Consortium, which represents retailers, warned that shoppers had only been tempted into stores by heavy discounting.

The figures, which provide the first hard evidence about Christmas spending, remained patchy: although chemists saw demand for 'flu medicines, housing-related purchases suffered.

Last month's sales figures are deemed crucial by retailers in showing whether the Christmas upturn signalled an end to the consumer caution that dogged the economy last year. Spending figures due over the next two weeks will be watched closely in the City to provide further clues.

Such scrutiny is partly because Christmas is a key period for retailers. But it is also because Mr Kenneth Clarke, the chancellor, has forecast that a strong upturn in consumer spending will trigger broader economic growth this year.

The BRC data yesterday provided some comfort for those hoping for an upturn.

The overall value of retail sales was 4.3 per cent higher in December than in the same month last year – the highest annual rate of growth for eight months. This followed a strong increase in the growth rate in November.

However, December's growth rate was still lower than the 4.9 per cent annual rise seen in the year to December 1994.

The Bank of England said consumer credit rose by £612m in November compared with an £630m increase in October. Economists said the long-run trend was still upwards but consumers may have become more cautious in the run-up to Christmas.

Meanwhile The Ernst & Young Item Club, which uses the Treasury's economic model to calculate its forecasts, said the economy would grow slowly in the first half of 1996 but it would then accelerate because of a strong recovery in consumer confidence. *Gillian Tett and Graham Bowley*

Fujitsu to set up R&D centre

Fujitsu, the Japanese electronics group which owns a majority stake in ICL, the UK-based computer group, is to set up a research and development centre in the UK. The new London-based R&D centre, which will begin operations at the end of March with a staff of about 20, will focus on advanced computer design, particularly parallel computing technologies.

Unlike traditional computers which mainly process information sequentially, parallel computing involves dividing complex tasks into small pieces which are then handled by a number of microprocessors at the same time.

Parallel processing is particularly suited to the large number-crunching jobs traditionally handled by super-computers but is also expected to come into greater demand with the spread of networking. The new R&D centre, "will give us access to very talented researchers in the UK and the rest of Europe," the company said.

Japanese computer groups have generally lagged their US and West European counterparts in the area of computer software. However, Fujitsu has recently made recently in the field of supercomputers, traditionally a stronghold of Cray Research of the US. Last month, Fujitsu won an order from the European Centre for Medium Range Weather Forecasts where a Fujitsu machine will be replacing a Cray supercomputer. *Michiyo Nakamoto and Paul Taylor*

Rise in coal output reported

Output of deep-mined coal in the UK rose 13 per cent in the first year of privatisation, according to Mr Richard Page, the undersecretary for energy. Sales of coal were up 18 per cent, and imports were down 16 per cent. Mr Page, addressing the Coal Industry Society, stressed the figures were provisional.

It was not "an easy industry in which to make money," Mr Page said. "But overall I believe that the picture is very encouraging." The industry was privatised at the end of 1994. *David Lascelles*

Branson rejects lottery inquiry

Mr Richard Branson, chairman of the Virgin group, said yesterday he would not take part in an inquiry to examine allegations that an executive of GTech, a US lottery operator, tried to bribe him. Mr Branson was not convinced the inquiry, to be led by Ms Anne Rafferty, QC, chairman of the Criminal Bar Association, would be independent or comprehensive.

Mr Branson complained that Ms Rafferty had been appointed by Mr Peter Davis, director general of the Office of the National Lottery, who might have to appear before the inquiry as a witness. Mr Branson alleged last year that Mr Guy Snowden, chairman of GTech, tried to bribe him. Mr Snowden has denied this. *Raymond Snoddy*

UK car sales fall by 16%

New car sales to private buyers slumped by 16 per cent in December, the UK vehicle industry revealed yesterday. The drop represented one of the sharpest monthly falls for the past several years and prompted renewed calls yesterday for market-boosting measures by the Government.

Without such action, industry representatives claimed yesterday, new car sales will grow by little more than 1 per cent in each of the next two years, largely because economic growth will be below Government forecasts.

Britain's industry body, the Society of Motor Manufacturers and Traders, is projecting a 1.3 per cent rise in new car registrations next year, to 1.97m from last year's 1.95m, and for the market to just reach the 2m level in 1997. "We are still a long way below the levels we need to be at for a healthy market, and compared with 1988-89 when we had up to 2.3m new car sales", said the SMMT's chief executive, Mr Ernie Thompson. So far, the SMMT has failed to persuade the Government to adopt any market-boosting incentives schemes, such as cash inducements for motorists to trade-in high-pollution older cars offered in France and Spain. However, in a move which it hopes will boost the profitability, if not unit sales, of car makers and their 7,200 franchised dealers, SMMT officials were meeting Government representatives yesterday in a renewed effort to reach agreement on scrapping the current number registration system. *John Griffiths*

Blow for Labour's pro-women policy

By John Kampfner, Chief Political Correspondent

Britain's opposition Labour party's policy of positive discrimination to enable more women to stand for parliament was ruled unlawful by an industrial tribunal yesterday.

The verdict, upholding a complaint by two male candidates frozen out by the process, threatens to scupper the policy of women-only shortlists introduced in 1993 by the late Labour leader, John Smith.

Party officials expressed surprise and dismay at the ruling. They said it applied only to the two cases concerned and would not affect the 34 seats where candidates had already been selected on the basis of women-only shortlists.

Another nine constituencies in the middle of the selection process have been told by the party to hold off until the tribunal delivers its written judgment within the next two weeks. Labour will then consider an appeal. Another five seats were also due to begin choosing from women.

Despite Labour's attempt to give a narrow legal definition to the ruling, it is likely to leave the door open to men to mount challenges in any of the 34 seats affected so far.

The idea of the shortlists was to more than double the number of Labour women MPs, currently at 38, in the next parliament by assigning at least half of the safe and marginal seats where the incumbent was standing down to women-only lists.

Mr Tony Blair, Mr Smith's successor, has already expressed reservations about a scheme that encountered considerable local resistance and had appeared destined to be scrapped after the next general election.

Tom Sawyer, Labour's general secretary, said the party had undertaken the policy after extensive consultation with legal experts. "We do not believe [the ruling] to be correct and we have proceeded throughout in the belief we have been acting in accordance with the law," he said.

TV's probing eye tests corporate resolve

Everybody was "tied up," Marks and Spencer said yesterday as the retailer prepared to field broadcast allegations that a Moroccan subcontractor had used child labour in the manufacture of some pyjamas.

M&S said its own checks had fully satisfied it that the Moroccan company used no workers under the age of 16, apart from some apprentices, and that it had met all Moroccan government standards.

But the hive of activity at M&S's headquarters ahead of last night's *World of Action* broadcast on Britain's ITV was testament to the enormous pressures that television investigations put on companies, whether the allegations are right or wrong.

Companies such as drug or chemical makers have long been aware of the need to respond effectively to such challenges. But more companies, particularly those selling consumer goods, are becoming aware they too might be subjected to scrutiny – often out of the blue. To respond effectively, companies are turning more to specialist media advisers and lawyers.

"We create a crisis team and tell everybody else to get on with running the company," said Mr John Stonborough, a former television reporter and founder of Walborough, a media consultancy. For the duration, team members "have to forget about the rest of their lives and the company has to commit money to advisers – it can be expensive".

Mr Stonborough believed key approaches were to find out exactly what evidence the broadcasters had; negotiate with them on the extent to which the company would respond; and not to "fudge" issues – "if there's a problem get it out".

Mr Medwyn Jones, a partner in Harbottle & Lewis, a London law firm, believed that assessing the strength of the information had become somewhat easier in recent years. Journalists were now more willing to reveal more to the companies they questioned, he said.

But it is the intensity of life in the limelight, perhaps even more demanding than a takeover battle, that takes its toll in case after case.

When the *Cook Report*, an ITV programme, claimed in late 1994 that there was a link between sudden infant deaths and the fire retardants used in foam cot mattresses, Boots was one of the retailers that had to respond. "We had to make a huge investment in time and resources over six weeks," said Mr Francis Thomas, a Boots press officer.

"We were notified by the *Cook Report* only three days before the programme was aired. There was no time to have a scientific debate with the programme makers... we had to deal with public perceptions." It scrapped £250,000 of stock and launched a huge customer and staff information programme.

Subsequent government reports failed to link fire retardants with cot deaths but the impact on Boots and its bedding manufacturer was as great if it had been proved.

Roche, whose anti-malaria drug Lariam was scrutinised recently on the BBC's *Watchdog* programme, said: "One of our principal aims is to try to ensure that the reporting is balanced and allows the company to state its case."

In 1992, *Watchdog* suggested one nutritional supplement made by Bio-Health, a vitamin manufacturer, was "expensive nonsense". Although the company later accepted substantial libel damages, the experience was "traumatic", according to Mr David Smith.

Bio-Health, which had no warning that its supplement would be mentioned, sent a series of letters to wholesale and retail customers, with results of independent laboratory tests which vindicated its product. Nevertheless, it saw its turnover fall by about 25 per cent in the first four weeks.

Bio-Health was unable to step up its marketing to counteract the bad publicity because it needed to conserve funds for the legal action. Preparation was also a burden. Mr Smith said. "It took a least a full month of my time devoted to the law side – this is working a 50-hour week – and three weeks on the Broadcasting Complaints Commission."

After the business record of Mr Richard Budge, chief executive of RJB Mining, was investigated by BBC's *Panorama* programme, the coal mining company took steps to reassure shareholders and employees but did not respond publicly. "There was nothing of any substance [for RJB]", Mr Stuart Oliver said.

But when ITV's *The Big Story* discovered that vegetable burgers made by Ross Young, a subsidiary of United Biscuits, and sold under Linda McCartney's name, contained more fat than the label said, the ex-Beatle's wife was quick to express contrition. "Once a week we are going to pull different products off and go to the best food analyst just to make sure it doesn't happen again," she said. "I don't want any mistakes. I'm mad about it, it really upset me and in fact I'm still getting over it...The fact that it has my name on it is so annoying."

Roderick Oram and Clay Harris

An image from the television documentary on the Moroccan shop where clothing for retailer Marks & Spencer was made

Cable operator sheds jobs in restructuring

By Alan Cane and Raymond Snoddy

Nynex CableComms, the UK's second largest cable operator, yesterday announced broad restructuring plans which may herald further efficiency measures throughout the UK's fledgling cable communications sector.

Some 310 jobs will be lost, just over 10 per cent of the company's workforce, chiefly in accounting and management support. The jobs would be lost through a combination of natural wastage and voluntary and involuntary redundancies, the company said.

Mr John F. Killian, the company's president and chief executive officer, said the plans were designed to allow the company to make the most of its £25m ($38m) investment in information technology: "We have doubled the size of our business each year since 1991. We now plan to capitalise on emerging efficiencies in line with our strategic objectives of achieving lowest life cycle cost, and to enjoy further economies of scale."

A national sales organisation is to be created to service the operator's franchise areas and customer operations and service are to be centralised.

Mr Nicholas Mearing-Smith, the chief financial officer, said the restructuring plan followed a study by the consultants Coopers & Lybrand, which had identified inefficiencies such as 12 people, now reduced to two, developing methods and procedures.

The Nynex announcement came just after TeleWest, the largest cable operator announced that Mr Danny Bryan, chief operating officer since October 1994, was returning to the US "to pursue other interests." Mr Bryan had been responsible for all operations for the southeast division of TCI, the world's largest cable company. It is believed that the intensely competitive UK market proved a much greater challenge.

At the same time a senior executive, Mr Dan Summers, has been sent from North America to take a fresh look at the operations of Bell Cablemedia, the third largest cable company in the UK.

"I think the cable industry is still under pressure in the UK," Mr Jon Davey, director of cable and satellite for the Independent Television Commission, said yesterday. Few in the industry were surprised that the first serious job cuts should have come at Nynex. It had taken on high overheads as it pushed for rapid growth.

Cable telephony has been growing rapidly and should get a further boost this year from the implementation of number portability – allowing customers moving over to cable from BT to keep their numbers. By comparison cable television has been struggling.

Penetration levels for cable television – the ratio of homes subscribing compared with those who could – has remained stubbornly stuck at around 21 per cent. At Nynex it is only 18.9 per cent.

Opposition to seek support of 'stakeholders'

By Robert Peston, Political Editor

Opposition *leader Mr Tony* Blair yesterday unveiled the Labour party's election banner with a pledge to create a "stakeholder economy" in which "each citizen gets a stake" in the creation of wealth.

In a direct response to the Conservative government's promise to make Britain the "enterprise centre of Europe", through cutting public expenditure and business regulation. the Labour leader rejected what he characterised as the government's "laisser-faire passive approach".

Mr Blair *told a meeting* of businessmen in Singapore that a Labour government would work with "the grain of global change" *in an open* economy, but would be willing to intervene to ensure that the benefits are "fairly distributed and all our *citizens* are part of one nation and get the chance to succeed".

Mr Michael Heseltine, the deputy *prime* minister, said "Labour's latest soundbite is only a new disguise for their old corporatist ideas... They would *impose* ever great central government regulation and control".

However, Mr Blair was *praised* by Mr Lee Kuan Yew, Singapore's most influential politician and a personal hero of Mr John Major. "He's young and energetic and doing well in the Labour party and in the country," said Mr Lee.

Mr Blair said the aim of fos*tering* a national team spirit would determine the party's plans to reform the welfare state, education, the dissemination of new technologies, and the relationship between business and government.

Labour was studying Singapore's privatised welfare sys*tem, he added, which* compels its people to insure against unemployment and save for retirement. But He rejected the traditional socialist approach to fostering cohesion "through redistribution in the tax and benefit regime". "The old ways won't do," he said.

Mr Blair has been heavily influenced by the theory of corporate governance – that successful companies work in the interests of all their stakeholders, including employees, customers and suppliers, and not just shareholders.

The Labour leader has been particularly impressed by the work of Mr John Kay, an economist, who last night described the speech as a "statement of ideas which are important".

Mr Kay said Mr Blair was right to point out that individualistic societies, such as the UK, tended to achieve economic growth at the cost of crime and litigation. He said economic success of the Far East and Switzerland tended to be based on more cohesive societies than the UK's.

Freshfields tops legal M&A rank

By Robert Rice, Legal Correspondent

Freshfields, the City of London law firm, has pushed rivals Slaughter and May into second *place as the leading legal* adviser to companies and banks involved in UK public takeovers last year.

In a year of unprecedented takeover activity, Freshfields was placed first for its part in 31 deals worth £32.1bn ($49.1bn). This compares with a total of 16 deals worth £4bn, enough to place Slaughter and May top in 1994.

Freshfields was involved in the five biggest transactions of 1995, including acting for TSB Group on its £6.1bn acquisition by Lloyds Bank and for Southern Electric on its successful defence of a £2.8bn bid from National Power.

Slaughter and May was placed second for its role in 30 deals worth £29.7bn according to Acquisitions Monthly magazine, which ranks law firms by the value of the takeovers in which they acted as advisers.

Five of the top six law firms in the table were involved in 1995's biggest deal, Glaxo's £9.1bn takeover of Wellcome. The exception was Linklaters & Paines which finished third with 19 deals worth £20bn.

Acquisitions Monthly says 1995 was also a bumper year for legal fees. The magazine estimates that the City earned about £950m in fees from UK takeovers in 1995 and of that the law firms took about £200m.

Editor Philip Healey said early signs for 1996 were encouraging with no obvious factors to suggest the takeover boom would not continue, at least in the short term.

LEGAL ADVISERS FOR UK PUBLIC TAKEOVERS 1995

Law Firm	No.of deals	Value (£m)
1 Freshfields	31	32,157
2 Slaughter and May	30	29,720
3 Linklaters & Paines	19	20,021
4 Herbert Smith	20	17,581
5 Clifford Chance	19	14,812
6 Lovell White Durrant	6	11,819
7 Norton Rose	12	9,037
8 Allen & Overy	17	7,799
9 Theodore Goddard	4	6,113
10 Simmons & Simmons	10	5,412

Ranked by value of transactions based on completed and failed offers for UK public companies. Source: Acquisitions Monthly

Tories on the defensive over future in Europe

By John Kampfner and Gillian Tett

Prime minister John Major's plea for unity within his Conservative party fell on deaf ears yesterday as resurgent pro-Europeans joined Labour and Liberal Democrat members in calling for a campaign to publicise the merits of a single currency.

With the Tory right on the defensive following the defection of Miss Emma Nicholson, *Conservative Europhiles* pointed to an opinion poll, claiming that their views on Europe represented the major*ity of popular feeling.*

The survey of 805 people, conducted by Gallup, showed that 60 per cent of the public believes Britain should retain the option of joining a single currency at a future date.

However, nearly two in three people say information available on the question of monetary union remains "poor" or "very poor".

Mrs Edwina Currie, vice-chairman of the cross-party European Movement which *sponsored the survey, said:* "Parties win elections when they keep their eye on the electorate. Mr constituents tell me, like *the polls do, that* that we are in Europe."

The survey showed that 56 per cent of those questioned agreed there should be closer co-operation between the EU countries, with Britain playing a leading role, while only 19 per cent disagreed.

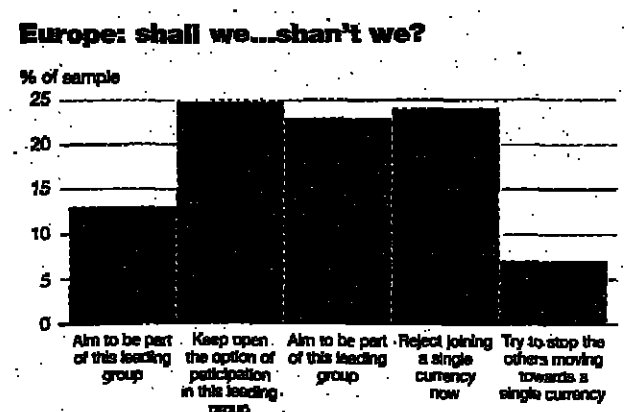
The survey highlighted some striking social differences: men tended to be more in favour of a single currency than women, while the North and Scotland also gave more positive responses.

Professional social groups also indicated that they were more positive about the project *than working class groups.*

Mrs Currie was joined on the platform by Mr Peter Mandelson, one of Mr Tony Blair's *closest aides, and by Mr* Charles Kennedy, the Lib-Dems' spokesman on Europe.

Other prominent pro-Europeans added their support, setting the stage for another turbulent parliamentary session, which begins today.

Europe: shall we...shan't we?



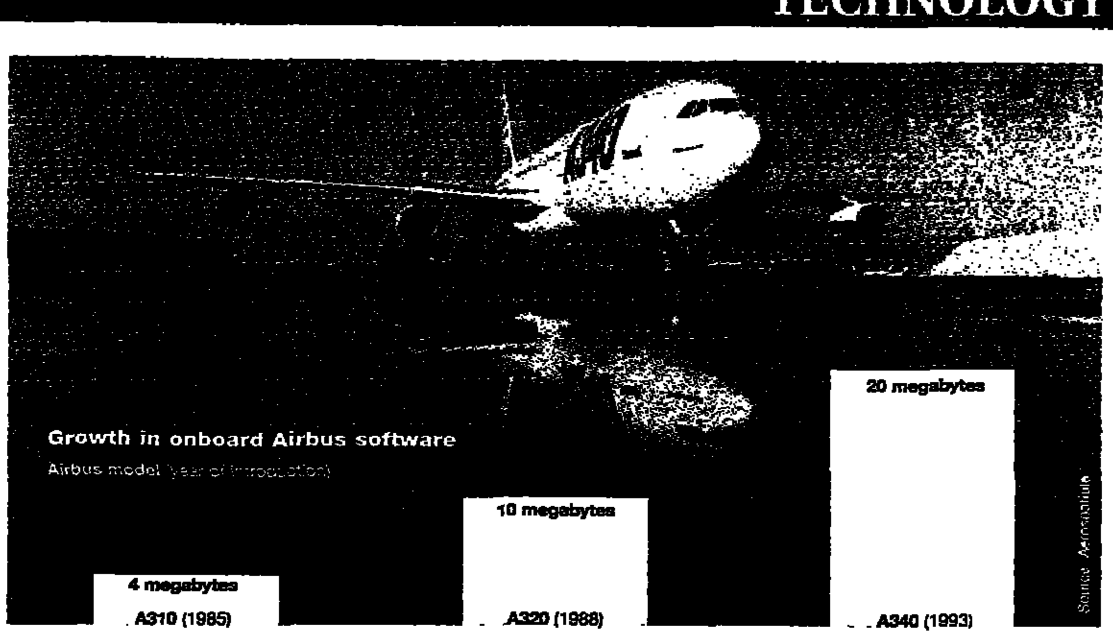
Source: Gallup

Mr John Major sought in his television interview on Sunday to straddle the divide, voicing his hostility to the planned January 1999 *start-up date for* a single currency. At the same time, he has disappointed Eurosceptics by suggesting his reluctance to issue a white paper setting out the government's negotiating position at the intergovernmental conference.

● Mr Michael Portillo, the UK defence secretary who told BBC radio that he had been "rounded" on by Tory left-wingers, yesterday pledged deeper security co-operation with Japan, in spite of misgivings from some British war veterans who are still seeking compensation from the Tokyo government, *William Dawkins writes from Tokyo.*

The defence secretary, who was speaking on a four-day visit to Japan, also offered to increase UK training of Japanese troops for United Nations peacekeeping missions.

TECHNOLOGY



For safety's sake

Designers are working on ways of making computer programs more reliable, explains Geoff Nairn

Computer technology is today found in a vast range of products, from trains to toasters. But as the power of digital hardware has grown, so too have the size and the complexity of the software needed to control it.

Traditional software development is labour-intensive and error-prone, and the software industry urgently needs cheaper, more reliable ways to develop programs. If a personal computer "crashes", only data are lost; if the computer controlling an aircraft or chemical reactor misbehaves, the consequences can be catastrophic.

Computers have traditionally played a subservient role to more conventional analogue technologies in safety-critical systems. Analogue technologies leave the pilot or operator in full control and are designed to well-known "fail-safe" principles. No such principles exist for software, however, so designers of digital systems have to test their programs extensively.

"The sheer complexity of software is overwhelming traditional approaches to software development and testing," says Jerry Rudison, marketing vice president at Rational Software, a US firm.

Rational supplied software tools to speed the process of ensuring that software in the new Boeing 777 aircraft met the Federal Aviation Authority's safety standard for flight-critical software.

Extensive use of computers allows the Boeing 777, which went into service last June, to be flown by two crew instead of the traditional three – a flight engineer is not required. The 777 contains more than 2m lines of software code – four times that of its predecessors – and is Boeing's first commercial aircraft to use digital "fly-by-wire" technology for the flight control system. Built by UK firm GEC Marconi, the system took five years and 200 people to develop.

Jim McWha, Boeing chief engineer for flight control systems, says digital technology was used because manufacturing costs are lower than for an analogue system. Boeing's main competitor, the European consortium Airbus Industrie, was first to use digital fly-by-wire technology to reduce costs.

Airlines are wary of new technologies that may prove unreliable and expensive to service. For digital fly-by-wire flight control systems, there is the additional worry of an unknown safety record.

To calm such fears, Boeing exhaustively tested the software for one year in the laboratory and a further year in the air – twice the test period of earlier aircraft. "Cost is just not a factor in building safety-critical software," says McWha.

Testing complex software requires thousands of "test cases" – combinations of operating parameters – to be generated and fed into the software to see how it responds. Traditionally this is done manually, which is costly, tedious for the people involved and prone to error.

Rational is working with Boeing on a set of tools to automate test-case generation, thereby cutting testing costs. Boeing engineers have developed an algorithm to reduce the time needed to generate test cases from several hours to a few minutes.

Airlines are wary of new technologies that may prove unreliable and expensive to service. For digital fly-by-wire flight control systems, there is the additional worry of an unknown safety record

Software testing detects mistakes made by the programmers who wrote the program code. But fundamental design flaws will not be revealed and even extensive testing uncovers only about 70 per cent of the errors in a program. The rest, serious or otherwise, are passed on to the customer. Phantom withdrawals from bank teller machines, telephone exchanges that do not communicate and space shuttles that refuse to take off are all manifestations of software bugs that testing overlooked.

In the 1980s, the US Department of Defence, worried by cost overruns and poor quality on software projects, wanted to evaluate the software capabilities of its contractors. It funded the development of a new software development method that focused on people and organisational factors rather than on technical issues.

The resulting Capability Maturity Model (CMM), developed by the Software Engineering Institute at Carnegie Mellon University, was the first in a family of "process-based" software assessment and improvement methods that have helped developers reduce errors.

Italtel, the Italian telecommunications equipment maker, cut the number of software faults in its exchanges by 54 per cent from 1991 to 1993 using the Bootstrap Method, which is similar to CMM and was developed as an EU project.

Nasa has long been interested in improving software quality and pioneered the use of object-oriented technology. One advantage of OOT is reusability – parts of one computer program can be reused in another, so improving reliability. By switching to OOT, Nasa cut software error rates by 87 per cent between 1985 and 1991.

Despite these improvements, serious software bugs still plague Nasa spacecraft and other complex projects. What is needed is a radical change in the way software is designed. Formal methods could provide the answer.

Formal methods use mathematical proof techniques to show that a program will perform according to the specifications. For 20 years, academics have been trying to apply scientific rigour to software development, but with little success. Nevertheless, formal methods are increasingly used to design and validate software for complex systems, such as chemical reactors.

French company Matra Transport is using one such method, called B Method, to design safety-critical software for the driverless trains on the new Meteor line of the Paris Metro, due to open in 1998.

Digital technology allows Matra to build trains that are functionally more complex, but conventional analogue systems are still used for safety-critical functions. Future trains will be fully digital and Matra hopes formal methods will eliminate design errors and allay anxieties about software reliability.

In the 1980s, formal methods were not available but Patrick Behm, software manager at Matra Transport, says they are now sufficiently mature to be used for the Meteor project. Only future users of the Meteor line will decide whether formal methods really do produce more reliable trains.

FT writers look at two new ways in which smart cards are speeding up the business of travelling

Customs cruising

Every international traveller knows the feeling. You race from the aircraft through a maze of windowless tunnels to the passport control and customs hall. Alas, your flight has landed at the same time as half-a-dozen other jumbo jets. The next half-hour – often more – is spent shuffling towards a distant booth for the required stamp in your passport.

Such frustrations have become a thing of the past for a growing number of participants in two test projects using "smart card" technology at a handful of airports in the US and Canada.

Known in the US as Inspass and in Canada as Canpass, the new cards allow travellers to check themselves through immigration and customs in seconds.

Canpass holders put a finger on an optical character recognition scanner, which compares it with a fingerprint embedded in the card. If the two match, an automated gate swings open and the passholder is free to go.

Anyone with goods to declare can drop the usual customs declaration form in a slot at the gate. Revenue Canada later calculates applicable duties and taxes, and charges them to the participant's credit card.

The US card uses a less sophisticated technology based on hand geometry, such as the length and thickness of the holder's fingers. However, Jake Achterburg, assistant chief inspector at the Immigration and Naturalisation Service (INS) in Washington DC, says that the goal is an internationally accepted standard of "one traveller, one card".

Five countries – the US, Canada, the UK, the Netherlands and Germany – have formed a working group to try to come up with a common standard for the cards. Others have expressed interest.

The INS plans to seek commercial partners for the Inspass in early 1996. The idea is that the pass could be combined with, for instance, a frequent flier card or a bank card.

The US cards, which are available to US residents as well as citizens of 22 other visa-exempt countries, can be used at John F Kennedy airport in New York, nearby Newark, and in Toronto, where passengers on US-bound flights are pre-cleared through US passport control.

Only business travellers who have entered the US at least three times in the past year can apply. The INS has so far issued about 60,000 cards; each has been used twice on average.

The Canpass card was introduced at Vancouver airport in late November. "The only glitch is that some people had difficulty understanding what they had to do," says Walter Morello, manager of the Vancouver passport office. An annual fee of C$50 (£23.60) is charged but any US or Canadian resident can apply for the pass.

Applicants are screened for criminal records, especially customs offences. Card holders caught smuggling by random checks risk having their pass revoked.

But according to a Canadian official: "We don't want our system loaded down with trivia. The customs official doesn't need to know that the person has a traffic ticket in Peoria." Out of 4,000 random compliance checks conducted so far on Inspass holders, only 12 have been caught cheating.

Besides fingerprints or hand measurements, the cards contain biographical details normally found on the strip in machine-readable passports. But few invasion of privacy concerns have been raised, probably because participation is voluntary. Anyone who wishes to continue kicking heels and stumbling over luggage in an interminable passport queue is free to do so.

Bernard Simon

Smart on the bus

Smart card technology is beginning to oust the humble bus ticket and even the magnetic stripe card on a growing number of urban transport systems around the world. London Transport is just completing a £1.5m two-year trial on buses in Harrow, north of London, while Hong Kong is expected to introduce smart cards across all forms of public transport next year.

Smart cards are similar in size to a credit card though somewhat thicker. They contain a silicon chip which stores and processes information and an internal aerial which transmits data to a reader.

The smart card can store much more information than a magnetic stripe card and offers considerable advantages to transport operators. Details of a wide variety of fares can be stored allowing discounts to encourage journeys at a particular time of day or multiple journeys.

Contactless cards can be read at a distance of several centimetres so do not need to be swiped through a reader. They do not even need to be removed from their plastic wallets. This speeds up boarding of buses or passing through electronic turnstiles.

They permit transport operators to record the types of journey which passengers are making and adjust services accordingly. They also allow an accurate record of the use made of a particular service. In London, where a unified London Buses has made way for private operators, it is important for revenues to be allocated accurately. At present this is done by passenger surveys which is both time-consuming and sometimes inaccurate.

London Transport's trial in Harrow is claimed to be the first and largest of its kind. Starting out on one route and involving only five buses it was subsequently extended to cover five bus companies, 21 routes, 200 buses and about 700 drivers. More than 15,000 passengers took part.

Encouraged by the results of these trials LT Buses and London Underground have sought tenders from private-sector consortia to provide a London-wide system in the late 1990s. More than 100 organisations expressed an interest in the project and 40 submitted detailed responses.

Charles Batchelor

LAW

Rulings clarify national powers

EUROPEAN COURT

In two recent judgments the European Court of Justice clarified the position of national procedural rules which have the effect of precluding a national court from considering whether a measure of domestic law is compatible with European law.

In both cases the issues of European law were not raised until the appellate stage of domestic proceedings. In the Peterbroeck case, the appellant argued that the relevant Belgian legislation was contrary to the Treaty of Rome rules on freedom of establishment. In the Schijndel case, the appellant argued that Dutch pension provisions were contrary to European competition rules.

Under Belgian procedural rules, new pleas could not be raised on appeal, except if raised within 60 days of the decision being appealed. The same rules prevented the Belgian Appeal Court from considering the new plea of its own motion.

Under the relevant Dutch procedural rules, no new arguments could be raised on appeal unless on pure points of law. Although the procedure required courts to raise points of law, the principle of judicial passivity meant that the courts could not be required to go beyond the ambit of the dispute, nor rely on facts or circumstances other than those on which the relevant claims were based.

Because both jurisdictions were concerned that the relevant procedural rules curtailed the power of the national courts to examine matters of European law they referred the issue to Luxembourg.

The European Court first reiterated that under the principle of co-operation laid down in the Treat of Rome, member states had to ensure the legal protection which individuals derived from the direct effect of European law.

In the absence of European rules governing the matter, it was for the domestic legal system in each member state to decide which courts should have jurisdiction, and to lay down the detailed procedural rules governing actions for safeguarding rights derived from European law.

Such rules could not be less favourable than those governing similar domestic actions nor make it excessively difficult to exercise rights conferred by European law.

The European Court also re-emphasised that national rules preventing issues being referred to it had to be set aside. In order to determine whether domestic rules fell foul of such general principles, it was necessary to take into account matters such as the protection of the rights of the defence and the principle of legal certainty.

In the Peterbroeck case the European Court said the appellant had been unable to take advantage of the limitation period as it had expired by the time of the appeal court hearing. Also, there were no other domestic courts in subsequent proceedings which could consider of their own motion the question of the compatibility of the national measure with European law.

The European Court said restrictions in Belgian procedural law on the raising of new points of law were not reasonably justifiable by principles such as the requirement of legal certainty or the proper conduct of procedure. The rules were therefore contrary to European law.

In the Schijndel case, the European Court found that the limitation in Dutch law on the raising of new legal issues was justified in that in civil proceedings it was for the parties to take the initiative, as the court could only act of its own motion in exceptional circumstances where the public interest required its intervention.

The European Court did find, however, that it was for national courts to apply the Treaty of Rome competition rules even when the party concerned had not relied on them, but only where domestic law allowed such an application.

C-312/93: Peterbroeck v Belgian State; C-430/93 and 431/93: Schijndel and others v Stichting Pensioenfonds voor Fysiotherapeuten. ECJ FC. December 14 1995.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Suwyn to head Louisiana-Pacific

Mark Suwyn, 53 (left), has taken over as chairman and chief executive of Louisiana-Pacific, the US forest products group which has been dogged by product litigation. Suwyn, an executive vice president of International Paper, replaces Donald Kayser who stepped into the role in July after LP's board ousted 70-year-old Harry Merlo, who had dominated the group for more than two decades.

Merlo, the son of poor Italian immigrants, transformed LP into one of the leaders in the US forest products industry, partly by pioneering a process for making orientated strand board, a wood substitute which challenged traditional timber products such as plywood. However, the product did not live up to expectations and the company has been deluged with law suits.

Although Suwyn comes from one of LP's major competitors, his background is in the chemicals industry. He worked for E.I. Du Pont de Nemours & Co for 25 years before joining IP in 1992, where he has been responsible for an $8bn portfolio of businesses. *William Hall*

Disney role for Lyne

Walt Disney, the US entertainment group, has appointed Ms Susan Lyne, former editor of *Premiere*, the US film magazine, to a newly created role in its film production division.

Lyne, 45, has been given the brief of helping Disney to identify and acquire the rights to books, plays and screenplays. She will work from its New York office rather than in Los Angeles, where most of its film production executives are based.

The appointment is in line with a trend for the Hollywood film studios to strengthen their presence on the east coast. It also reflects the growing competition among the studios for film material, which has led to a dramatic escalation in the fees charged for film rights.

Lyne has edited *Premiere* since she founded the magazine in 1987. Disney, whose hit films in the past year have included *Toy Game* and *Pocahontas*, last week secured shareholders' approval for the $19bn acquisition of the Capital Cities/ABC television company. *Alice Rawsthorn*

Smurfit family move

Michael Smurfit, chairman and chief operating officer of Jefferson Smurfit Group, the Irish pulp and paper concern, has promoted his son Michael (left) to head two of the largest US subsidiaries.

Michael Smurfit junior, 31, succeeds James Malloy as president and chief executive of Smurfit Packaging Corporation and Smurfit Paperboard Inc, both based in St Louis, Missouri. Malloy remains chairman of the companies and will keep his seat on the main board.

The Smurfit family already controls four of the 15 main board positions and four of the six executive posts. The latest move suggests Michael jnr is being groomed to take on more responsibilities as his father, the 59-year-old founder, looks to secure the family's continuing grip on the company. *John Murray-Brown*

Occidental departure

David Hentschel, 62, a director and former senior executive with Occidental Petroleum, Los Angeles, took over as chief executive of Canadian Occidental in Calgary on January 1, following the resignation of French-born Bernard Isautier, 53.

Isautier, once a civil servant in France, made his name in Canadian oil and gas in the 1970s. In 1986, as head of Polysar Energy, he helped to force Nova, a big energy group, to double its takeover bid to almost C$2bn. He left Polysar with a golden parachute and returned to France to run Thomson's consumer electronics division. He reappeared in Canada as ceo of Canadian Oxy in 1993 on a five year contract, where he has pushed exploration as far as the Yemen, Indonesia and Kazakhstan. He remains a consultant to the company. *Robert Gibbens*

Dutch exchange

George Möller, a London-based banker with Dutch merchant bank MeesPierson, is to be the new president of Amsterdam's European Options Exchange. He will replace Joost Kuiper, who leaves on March 1 to head MeesPierson.

Möller, 47, who heads MeesPierson's UK operations, has been responsible for MeesPierson's growing involvement in the UK derivatives market. He has been a member of the board of Liffe, the London futures and options exchange, since 1992. His main responsibility there is in the field of equity options, the type of product which traditionally has been most popular on the EOE.

With the EOE and the Amsterdam Stock Exchange again holding merger talks, the two exchanges have already announced that, if the link-up goes ahead, Möller would be appointed president of the enlarged group, Amsterdam Exchanges Holding. *Ronald van de Krol*

BP Africa chief

British Petroleum has named Fred Phaswana chairman of BP Oil Africa and chairman and chief executive of BP Southern Africa – the first head of its Africa operations to have been born on the continent.

Born in northern Transvaal, Phaswana, 51, started with BP as a manual worker 30 years ago. He became president of BP Netherlands and Belgium in 1992, after a series of increasingly senior posts in BP Southern Africa.

In his new job, he will have overall of a newly integrated Africa region, including a network of some 1,400 service stations in 13 countries from Namibia to Kenya. *Nim Caswell*

ON THE MOVE

■ Alec Tsui, executive director of finance and operations services at the HONG KONG STOCK EXCHANGE, and Herman Hui, head of listings, have been appointed deputy chief executives. Samuel Lee, a member of the China technical committee of the Hong Kong Society of Accountants, becomes chief internal auditor.
■ William Rossier of Switzerland has been appointed head of the General Council of the WORLD TRADE ORGANISATION (WTO) for 1996. His duties will include organising the first WTO ministerial conference, in Singapore on December 9-13 1996.
■ Cesare Geronzi, director general of BANCA DI ROMA, is taking over from Pellegrino Capaldo as chairman. The group's new director general will be Antonio Nottola.
■ Frank Herringer, 53, chief executive of TRANSAMERICA CORP, the San Francisco-based financial services company, has replaced James Harvey, 61, who has been chairman since 1983. Herringer joined Transamerica in 1979, succeeded Harvey as president in 1979, and as chief executive in 1991. He will continue to hold these titles.
■ Warren Liu joins MASTERCARD INTERNATIONAL from Schlumberger Measurement & Systems, Hong Kong, as general manager for greater China.
■ Gerald Garbacz, 59, has succeeded Joseph Baute, 67, as chief executive of NASHUA CORPORATION, the US office stationery company. Baute, who remains chairman, assumed the role temporarily following the resignation of Francis Lunger in November. Garbacz was most recently chairman and chief executive of Baker & Taylor, a distributor of books, videos and software that was formerly a unit of W.R. Grace and Co.
■ Kerry Stokes, chief of Australia's Seven network, has become chairman of the NATIONAL GALLERY OF AUSTRALIA.
■ Antonio Zoido Martinez, president of the securities house Central Hispano Bois, replaces Manuel Pizarro as president of the MADRID STOCK EXCHANGE. Pizarro has been appointed president of Ibercaja.
■ Bernard Allorent, for the last four years head of Banque Paribas Suisse, joins the business development department in Paris to oversee BANQUE PARIBAS's activities in Europe, the Middle East and Africa. Allorent, 51, will be succeeded by François de Rancourt, 56, currently head of credit policy and supervision. Allorent began his career with Chase Manhatten Bank in New York, and joined Banque Paribas in 1981; de Rancourt joined Banque Paribas International in 1980, after 15 years with Citibank.
■ Kurth Augustson will replace Bo Feltner in April as chief executive of Moelnlycke, part of SVENSKA CELLULOSA, Europe's leading forest products group. Feltner will take charge of integrating the newly acquired PWA Papierwerke Waldhof-Aschaffenburg tissue operations with Moelnlycke's business.
■ Lars-Eric Petersson, executive vice president at Skandia and head of International direct and reinsurance, has been elected deputy chief executive of Stockholm's SKANDIA group.
■ Werner Dittes, 53, head of the worldwide business unit Resins in the polymers division of CIBA, replaces Hermann Vodicka as head of the polymers division from April 25, when Vodicka becomes chairman of Ciba's executive committee and chief operating officer.
■ John Taylor, 48, vice president of Exxon Chemical Europe, is moving from Brussels to London, as chief executive of BRITISH NUCLEAR FUELS, the state-owned reprocessing company.
■ Thierry Dillard, 42, finance director of GLAVERBEL, the Belgian glass manufacturer, leaves at the end of March, and will be replaced by Yves Schooejans, finance director at Compagnie Belge de Participations Paribas.
■ Kurt Anker Nielsen, chief financial officer of NOVO NORDISK, the Danish pharmaceutical group, has been appointed deputy managing director. Henrik Guertler, 42, has joined the group's corporate management team and Kaare Schultz has replaced him as head of health care product supply.
■ Laurie Cox, recently retired executive chairman of Potter Warburg, has joined the board of MACQUARIE BANK.
■ Martin Bennett has resigned as a director of THE UNION GOLD MINING COMPANY, which owns about 35 per cent of New Zealand's largest gold producer, Macraes Mining Co.
■ H. Virgil Stephens, EASTMAN CHEMICAL's chief financial officer, has been promoted to senior vice president.
■ Robert Goodall, group human resources director of Inchcape, has succeeding David John as non-executive chairman of INCHCAPE BERHAD following John's appointment as chairman of BOC.
■ Bob Davies has been appointed senior market manager, securities clearing & settlement services for S.W.I.F.T, the bank-owned message switching network, Based in New York, He will have worldwide responsibility for company's development in the securities clearing and settlement arena. Davies has worked for Brown Brothers Harriman & Co. for 25 years.
■ S.D.M. Wallis retires as managing director of AMCOR, the Australian packaging and paper company, in July 1996, and will become deputy chairman. He will be replaced by D.B. Macfarlane, 56, currently deputy managing director.
■ Jack Foley, 42, has joined AER LINGUS from British Airways as executive vice president – North America.
■ William Lytton, 47, vice president and general counsel for Lockheed Martin's electronics sector, has joined INTERNATIONAL PAPER as vice president and general counsel.
■ John Grant, founder and executive chairman of Sydney-based venture capitalist Hambro-Grantham, becomes a non-executive director of GOODMAN FIELDER.
■ John Dawson, 52, former head of National Australia Bank's UK operations, has replaced Graham Hart as chief executive of the BANK OF QUEENSLAND.
■ VARITY, the international car parts and diesel engine producer, has appointed Yasuhiko Nara, a former Japanese diplomat, and Amaury-Daniel de Seze, executive vice president of Group Paribas and a former president of Volvo France, as members of its advisory board to help plan its future global strategy.
■ Oskar Holenweger, former general manager of Bank J Vontobel in Zurich, has been appointed head of the BANQUE SCANDINAVE EN SUISSE board in Geneva.
■ Ray Greenshields, managing director of Australia's AMP Asset Management, has replaced Phil Twyman as chief general manager of AMP Retail Financial Services.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Blood, guts and abstract connotations

William Packer reviews 'Natural Forces' at Reed's Wharf Gallery

Although their New Year season has yet to get properly under way, the galleries are by no means empty and there is still time to catch up with any number of worthwhile shows missed in the pre-Christmas rush.

The Reed's Wharf Gallery, shortly to move from its spectacular position overlooking the Thames below Tower Bridge – while it is still there, its view alone is worth the visit – is nothing if not enterprising in varying its shows of gallery artists with intelligently-chosen group and theme exhibitions. The latest, *Natural Forces*, presents a number of artists from around the world who, though their work may be abstracted to a degree, draw directly upon the natural and visible world as the source of their imagery.

It is a near-truism of criticism that abstract painting is landscape painting of a sort, in the space and light it inevitably proposes beyond the surface of the canvas, but the truth is not quite so easy. The animal, the vegetable and the mineral come into it too, and abstract art is full of botanical, visceral and sexual connotation, oblique and overt, tasteful and not so tasteful, hinting at anything from seed pods to pudenda, fertility and mortality, blood and guts. We have lately had Mona Hatoum to thank for making biological tourists of us all, courtesy of the Turner Prize Exhibition, by virtue of her endoscopic trip through her own insides. It is indeed another world in there. Hatoum is no abstractionist herself, but she shows clearly enough that guts are landscape after all.

The true distinction lies only in the degree to which the reference or suggestion is consciously accepted and declared. Here at Reed's Wharf it is inescapeable. Hughie O'Donoghue's large canvas "Approach" is a landscape in all but name, a sweeping atmospheric statement in brown and orange. Peter Randall-Page, by contrast, retreats Hatoum-like back into the womb with his "Imagined Objects", whether seed, pistil or embryo, each safe in its cubby-hole.

Prunella Clough shows a large recent painting of what might be a tall pile of flower-heads, albeit simplified and schematic, firmly but lightly drawn in dark blue against a grey ground. It is a work as delicate and mysterious as ever, apparently offhand and matter-of-fact in the paint itself, yet done with the utmost refinement and exquisite judgment. In a sane world, in which the Turner Prize went to the best artist without limit of age or interest, Clough would already have won it several times. Still working as well as ever into her 70s, she is as good a painter as we have.

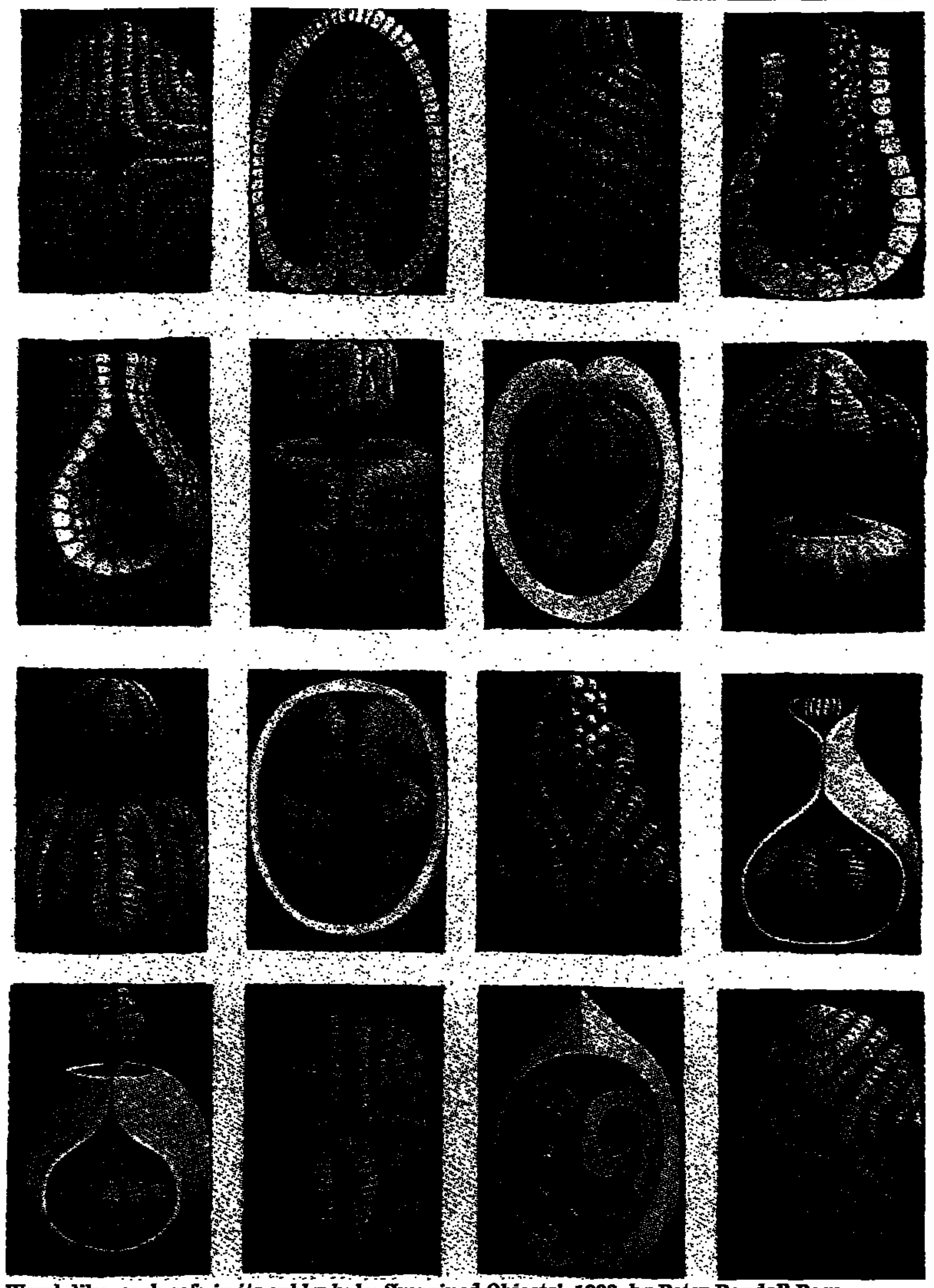
Maurice Cockrill shows a large new canvas, "Place of Fire", the ground divided vertically half orange, half grey, against which is drawn, in rich, sticky paint, the effective hint of leaves and branches, heavy with the sense of forcing one's way though undergrowth. Diana Howse shows a set of small and simple evocations of flames and flares on the one hand, and of sheets of ice on the other, delicate veils of colour hot and cold against black. Varvara Shavrova lays sheets of colour over a ground textured by clots and smears of pigment. These are lyrical and ambiguous, waves or clouds or sexual organs. Philippa Stjernsward, Malu Stewart, Victoria Arney and Liza Gough Daniels complete what is an intriguing show.

In recent years, Chris Beetles has been responsible almost single-handed for the revival of interest in illustration for itself, and for the retrieval of a mass of historical material that might otherwise have never been brought back to light. That is not to say there was no existing interest in the British tradition of satirical and humorous draughtsmanship, from the 18th century, through the Victorian illustrators and the Punch cartoonists to the present day. But it is all very well to speak of even such great names as Rackham and Tenniel, Shephard and Mary Potter, whose imagery is part of the pictorial furniture of our common childhood, when their work is still for most of us a thing set within the covers of well-worn books.

Beetles' regular celebrations of these artists, of which the latest has still some time to run, has changed all that. And to see their so-familiar work away from the texts it serves is to be forcibly reminded how good they are in their own right – witty, modest, ever-inventive, almost always funny, always humane. And it is good to be reminded, by the notes and unpublished studies on display, of the primacy of the study of the figure, and the essential discipline of drawing.

All the great names are there, and more – from Rowlandson to du Maurier, Heath Robinson, Edward Lear, Mervyn Peake, Ronald Searle, Pont, Anton, Mary Tourtel of Rupert Bear, Osbert Lancaster, Quentin Blake and so many more. The list is as inexhaustible as it is irresistible.

Natural Forces: Reed's Wharf Gallery, Mill Street SE1, until January 13. *The British Art of Illustration*: Chris Beetles, 8-10 Ryder Street, St James's SW1, until January 19.



Womb-like, each safe in its cubby-hole: 'Imagined Objects', 1992, by Peter Randall-Page

Opera/Richard Fairman

The Pearl Fishers

Some years ago when an audience survey asked people which opera they would most like to see, the vote went to Bizet's *Les Pêcheurs de perles*. The favourite duet for tenor and baritone included on so many operatic highlights discs had evidently lured respondents into wanting to investigate the opera further.

It took a while for English National Opera to respond, but *The Pearl Fishers* – sung in plain, unadorned English, when the words can be heard – is now a regular visitor. The company has had a couple of tries at getting it right, first offering a post-colonial interpretation that aimed to give the opera a politically-correct angle and then discarding that in favour of a pretty staging with no obvious message at all – both of them, strangely, by the same producer and designer, Philip Prowse.

His second thoughts amount to a straightforward crowd-pleaser, which is after all why the opera was chosen in the first place. Bizet did not set out to tackle important issues, but was merely decorating a love story from the Orient. Prowse, too, has settled for decoration – exotic colours dominated by reds and golds, burning incense in the temple, a sultry Indian Ocean atmosphere, and a trio of dancing boys so pale-skinned that they must be student back-packers from Surrey.

No matter: the pearls in Bizet's opera do not lie in the drama, they are musical through and through. Unlike some 19th-century French composers who followed the fashion for operas of far Eastern promise, Bizet was sparing with local colour and produced a score of inimitably Gallic delicacy. It is not easy to make music as refined as this work in the Coliseum and Emmanuel Joel errs on the side of understatement, although the orchestra and chorus supported him well enough.

A similar problem often bedevils the casting. Should the singers be featherlight to suit the music or heavyweight to make an impact in this theatre? Elizabeth Woollett and John Hudson both have voices of Coliseum size and the challenge for them is to fine their singing down in Bizet's most exquisite solos. Woollett's Leila mixes some silvery moments with others that lack poise and rhythmic security; Hudson's Nadir is best at full volume, but the top of his voice is so well placed that he can manage delicacy more proficiently.

Most of the standard dramatic blustering, insofar as there is any drama, falls to the baritone Zurga and Michael Lewis puts it across with convincing force. Mark Richardson creates a suitably lowering background presence as Nourabad the priest. That completes Bizet's small cast, but Prowse's production also makes room for a prowling female mime who is forever about to plunge her dagger into this or that man – a frustrating role, as the plot never allows her to finish the job off.

For the rest, Prowse fills Bizet's long empty spaces with dignified priestly marches and sensuous dances, leaving the music happily free from producer's interference to seduce the ears. Saturday's performance was well attended, so the audience survey was clearly right.

Performances continue until February 21.

Circus turns

Of all the instruments of torture known to man, none – not the rack, not the thumbscrew, nor yet the television game show – is more terrible than the clown. Threatened with these capering horrors, I will confess to anything, from incest to simony. I supposed that the first ten minutes of Le Cirque du Soleil's performance – with a horde of the scampering, yapping creatures creating mayhem among the audience at the Royal Albert Hall – would force me to confess to enjoying myself. But there are reserves of strength known to the pure in heart, and I will go to the stake before I say that the evening was worth while.

Saltimbanco – such is the title of the show – is said to be the "new" circus from Montreal. It comes trumpeting ecstatic comments by such well-known authorities as President Clinton and Elizabeth Taylor. Reluctant as I am to contradict the President of the United States and a much-married cinema actress, I can only reply "Wrong again, chicks!"

Saltimbanco is a collection of decent enough circus turns set in a lurid frame of ugly costuming and psychedelic lighting, with a raucous and over-loud rock accompaniment. What it lacks in visual wit – *oh for Roland Petit to give it* some sense of style! – it makes up for in abundant winsomeness.

The clowns mop and mow, as clowns do, many of them suffering from nasty attacks of the Marcel Marceaus, and are very roguish indeed. (One, in baggy shorts, a base-ball cap, spindle-shanks and buck teeth, involved a man from the audience in his act. The victim proved considerably more engaging and entertaining as a performer.)

Four lady contortionists indulge in one of the less agreeable human activities – sitting on each other's heads, and two beefy chaps in green tights strain to balance on various parts of their musculature (a sight which inspired a woman in front of me to paroxysms of screaming). There is a brilliant juggler (seven balls on the go at one time) and a fine female trapeze artist who sails intrepid and serene above our heads. I do not find that the other acts bear much comparison with performers I have seen with Chinese and Russian circuses. The rock music and the singing are noxious.

On Saturday, passing through south London, I saw a big top emblazoned with the words *The Circus from Hell*. That makes two of them.

Clement Crisp

New York Musicals/Alastair Macaulay

Funk! Jam! Groove! on the agenda

More and more about New York life is agenda-driven or agenda-coloured these days. So it is no surprise that the city now has its own agenda dance musical, *Bring In Da Noise, Bring In Da Funk*. The show – subtitled *A Tap/Rap Discourse on the Staying Power of the Beat*, with a text by Reg E. Gaines, and choreographed by Savion Glove who is being hailed as the greatest tap dancer ever seen by people who should know better – recently opened at the Public Theater, and has been selling out. I might have enjoyed it more had I been warned that it had an agenda on its mind; to be taken by surprise by the unrelenting force of its agenda was a very nasty shock.

It has been un-p.c. since the late 1970s for whites to praise blacks for their rhythm (it counts as a form of racial discrimination). Blacks, however, have been able to carry on rejoicing in their rhythmic intuition; and in this age of multi-culturalism they are able to claim rhythm as part of their heritage. Up to a point I have no quarrel with this. In 1989, Claudio Segovia and Héctor Orezzoli produced an enthralling Broadway celebration of black jazz/blues/tap, *Black and Blue*, that I wish had come to London: it was a sequel to the same men's productions of *Tango Argentino* and *Flamenco Puro*, and at one profound level of aesthetic experience it afforded precisely the same marvellous delight.

Possibly *Bring In Da Noise* may have started out with harmless enough intentions. "In the beginning there was..." say projections at the start, "da beat!" And you see four tap dancers and two drummers making the beat, framed by a female singer and a male talker; but beat, not words, is what you take in. Unfortunately the beat is, at first, not only noisy and funky but also a little monotonous. The four dancers are fresh and accomplished – but they mean to make da beat exciting, not seductive.

But *Bring In Da Noise* is basically a black moan. Its dancing has energy and accomplishment, but it never transcends the grinding solemnity with which it sells its agenda. It too is historical, but its account of history is highly politicised. We are shown the slave ships and life on the plantations. We are shown the incorporation of blacks into American cities and into industrial labour and into urban racist lynchings. We are shown black culture traduced by the phoney chic of Harlem clubs and Hollywood musicals. And we are shown four recent decades of black street-corner culture. Despite all that whites have done to blacks, da beat survives.

This version of black history does injustice to, among other things, blacks themselves: these versions of Harlem and Hollywood that are shown onstage are wilfully cheap travesties of superb and influential black artistry. The dance highlight of *Bring In Da Noise* is a long solo for Glover himself. Called "Green, Chaney, Buster, Slyde," it is his demonstration of all he learnt from those four masters of black tap dancing, and you could study it repeatedly for the many points of tap style it carefully demonstrates. Glover never stops dancing, and the steady flow of his energy throughout is perhaps his greatest feat of all.

The solo is spoilt, however, by the taped autobiographical voice-over that accompanies it, turning it into a lecture-demo. And, soon enough, the solo shows you that Glover is the best of apprentices but, unlike his teachers, not himself a master-artist. The solo – less of a tribute than a graduation display – reveals that he simply lacks his teachers' individuality of temperament.

Watching one of Chuck Green's last performances in 1988, I wrote "Tap is his daimon", so remarkable was the visceral force with which Green danced even in old age. Glover, by comparison, is just a callow youth who, for all his identification with modern urban funk, has not yet discovered himself in his dancing.

Jam on the Groove, an off-Broadway dance show at the Minette Lane Theatre, is another demonstration of black culture. At the end of the Saturday-night performance I attended, one of its dancers announced that what they had been dancing (for some 90 minutes) was sheer hip-hop as they had practised it as kids on the streets some eight years back. Hip-hop *puro*, in fact.

Hip-hop style is physically interesting and some of the acrobatic feats involved are astounding. One dancer specialises in upside-down multiple pirouettes, going around at least ten times on his head; another demonstrates an impulse passing up the highly developed muscles of one arm, along his equally developed shoulders, and down the other arm with chillingly anatomical articulation. You can imagine what the accompanying noise was like. But hip-hop, at least in this *puro* form, is never crystallised into rhythmic organisation. You watch stunt after stunt, but the stunts do not develop a serious rhythm of their own.

Noise! Funk! Jam! Groove! These shows try to celebrate recent trends in urban street culture, but they serve only to demonstrate the rhythmic *impoverishment of the age we live in.*

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Radio Symfonie Orkest and the Groot Omroepkoor: with conductor Richard Dufallo, soprano Roberta Alexander, mezzo-soprano Jard van Nes and cellist *David Geringas* peform works by Gubaidulina and Tippett; 3pm; Jan 13
OPERA & OPERETTA
Het Muziektheater
Tel: 31-20-5518117
● Werther: by Massenet. Conducted by Edo de Waart and performed by De Nederlandse Opera. Soloists include Martin Thompson, Gilles Cachemaille, Susan Graham and Henk Smit; 8pm; Jan 14, 16

■ ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
● Symfonie-Orkest van de Munt: with conductor Günther Herbig perform the overture to Wagner's "Lohengrin" and Bruckner's "Symphony No.7"); 8pm; Jan 13
EXHIBITION
MUHKA - Museum van Hedendaagse Kunst
Tel: 32-3-2385960
● Bernd Lohaus: retrospective of the German artist (1940), who lives in Belgium since 1966. The display includes sculptures, installations, paintings and drawings; to Jan 14

■ BERLIN

DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● Les Intermittences du Coeur: a choreography by Roland Petit to music by Saint-Saëns, Wagner, Fauré and Debussy. Performed by the ballet of the Deutsche Oper Berlin. Soloists include Simone Noja, Mayumi Katsumata and Franck Balbi; 7pm; Jan 13

■ BONN

OPERA & OPERETTA
Oper der Stadt Bonn
Tel: 49-228-7281
● Don Giovanni: by Mozart. Conducted by Shuja Okatsu and performed by the Oper der Stadt *Bonn. Soloists include* Michael Volle, Karen Notare and Hasmik Papian; 8pm; Jan 10, 13 (7pm)

■ CHICAGO

OPERA & OPERETTA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● The Makropulos Affair: by Janácek. Conducted by Bruno Bartoletti and performed by the Lyric *Opera of Chicago. Soloists include* Catherine Malfitano, Kim Begley, Tom Fox, Stephen West and John *Duykers; 7.30pm; Jan 12, 15*

■ HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● NDR-Sinfonieorchester: with conductor Paavo Berglund and pianist Leif Ove Andsnes perform works by Kokkonen, Beethoven and Sibelius; 11am; Jan 14, 15 (8pm)

■ HELSINKI

EXHIBITION
The Museum of Finnish Art-Ateneum Tel: 358-0-173361
● Photographs by Hugo Simberg: exhibition of photographs made by the painter and graphic artist Hugo Simberg (1873-1917) of his family estate, given to the museum by the artist's son Tom Simberg; to Jan 14

■ LONDON

CONCERT
Queen Elizabeth Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor Elgar Howard, saxophonist John Harle and percussionist Paul Clarvis perform works by Beethoven, Varese, Birthwistle and Crumb; 7.45pm; Jan 11
Wigmore Hall Tel: 44-171-9352141
● Kurt Nikkanen and Christina Ortiz: the violinist and pianist *perform sonatas by Mozart,* Beethoven and Fauré; 11.30am; Jan 14
● Sergei Leiferkus: accompanied by pianist Graham Johnson. The baritone performs 13 of Rachmaninov's most famous songs; *5pm; Jan 13*

■ MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Orquesta y Coro Nacionales de España: with conductor Theo Alcántara, pianist Alicia de Larrocha and soprano María Orán perform works by De Falla, commemorating the death of this composer 50 years ago; 7.30pm; Jan 12, 13, 14

■ MEXICO CITY

EXHIBITION
Museo del Palacio de Bellas Artes
Tel: 52-5-5101388
● Carl Milles, Esculturas: exhibition of the work of the Swedish sculptor Carl Milles (1875-1955) who studied in Paris and worked with August Rodin. All the works on display come from the collection of the Museum Hillesgarden in Stockholm; to Jan 14

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Münchner Philharmoniker: with conductor Sergiu Celibidache and pianist Murray Perahia perform Brahms' "Piano Concerto No.2" and Prokofiev's "Romeo and Juliet"; 8pm; Jan 12, 14 (11am), 15, 16
OPERA & OPERETTA
Nationaltheater
Tel: 49-89-21851920
● La Damnation de Faust: by Berlioz. Conducted by Gerd Albrecht and performed by the Bayerische Staatsoper. Soloists include Jeanne Piland, Ulrike Schneider, Vinson Cole, Alan Titus and Harry Dworchak; 8pm; Jan 13

■ NEW YORK

CONCERT
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Guarneri Quartet: with guest singer baritone William Sharp perform works by Janácek, Barber and Schubert; 8pm; Jan 13
OPERA & OPERETTA
Metroplitan Opera House
Tel: 1-212-3626000
● The Makropulos Case: by Janácek (in English). Conducted by David Robertson and performed by the Metropolitan Opera. Soloists include Jessye Norman, Hakan Hagegard, Graham Clark and Donald McIntyre; 8pm; Jan 11, 16

■ OSLO

DANCE
Norske Opera Tel: 47-22-429475
● The Nutcracker: a choreography by Bjoern to music by Tchaikovsky, performed by the Norwegian National Ballet; 6pm; Jan 10, 11, 12, 13 (3pm)

■ PARIS

CONCERT
Maison de Radio France
Tel: 33-1 42 30 22 22
● Portrait de Youri Bashmet: concert programme devoted to viola-player and conductor Yuri Bashmet, starting with Yuri Bashmet performing works by Shostakovich, Stravinsky and Ravel (5.30pm). Next the viola-player and the Soloists of Moscow perform works by Schnittke and Hindemith (7pm). *To conclude* the programme the Orchestre National de France with conductor Charles Dutoit and Yuri Bashmet perform works by Kancheli and Bartók (8.30pm); 5.30pm, 7pm & 8.30pm; Jan 13

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor Jeffrey Tate *perform works by Berg, Haydn* and Mendelssohn's "Die erste Walpurgisnacht"; 5.30pm; Jan 14, 15 (9pm), 16 (7.30pm)

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Wiener Symphoniker: with conductor Wolfgang Sawallisch and mezzo-soprano Marjana Lipovsek, perform works by Brahms, Beethoven and Wagner's "Wesendonck-Lieder"; 7.30pm; Jan 13, 14

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Carmina Quartett: and pianist Mitsuko Uchida perform Haydn's "String Quartet No.2", Szymanovsky's "String Quartet No.1" and Brahms' "Piano Quintet in F minor"; 7.30pm; Jan 14

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COMMENT & ANALYSIS

Martin Wolf

Path to full employment

If Tony Blair wants to get rid of joblessness he will have to implement radical policies to price workers back into jobs while compensating them through the welfare system

Mr Tony Blair, the UK's prime-minister-in-waiting, last week told Japanese business leaders what "New Labour" believes in. The audience must have found his message pleasing, not least for the welcome he offered inward investment. It is less clear that it will please those on the left back in the UK who still believe in full employment and less inequality.

Mr Blair gave support to low inflation and sustainable public finances; inward investment; internationally competitive tax rates; minimum labour standards - though not ones that "lead to rigidity or inflexibility in labour markets"; no repeal of the main parts of 1980s trade union legislation; partnership between the public and private sectors, to "revitalise our infrastructure"; educational reform; and an active role in Europe, including participation in the social chapter.

Politicians on the left of the Tory party should not find all that much to object to in this list. It is indeed "one nation" stuff. So has a new orthodoxy - Blajorism - replaced the Butskellism of 1945-75? If that were the case, would it also represent a satisfactory outcome to 20 years of fierce political controversy?

The answer to the first question seems to be that, as then, both parties offer variants upon a common approach. But the answer to the second question is "not altogether". Why the consensus is problematic was lucidly explained in a short book by James Meade, published shortly before his death in December.*

Meade was, with Sir John Hicks, one of the two greatest British economists since Keynes. Yet for much of his professional life, he was too pro-market in his attitudes to gain attention from the left and too egalitarian to be listened to by the right. Then, when the left at last embraced the market, he became too egalitarian for both sides.

The problem that most concerned Meade in the 1930s and again in the 1980s and 1990s was unemployment. In the 1960s, the UK's unemployment rate was less than 3 per cent. But in the 1980s it peaked at over 11 per cent and its most recent level is still 8 per cent. As the chart shows, the concomitant decline in employment has been essentially a problem for men.

As he continued his progress round Asia, Mr Blair showed in Singapore yesterday that he is aware of the challenge: "A life on benefit... is not what most people want. They want independence, dignity, self-improvement, a chance to earn and get on. The problems of low pay and unemployment must be tackled at source."

These are fine words. But how might what was once thought of as full employment be regained? Meade's answer was that it depends upon two principal conditions: "First, that there are proper demand-management arrangements to ensure an adequate and stable level of money expenditures on goods and services...; and, second, that the workers who seek employment in a free-enterprise economy... offer their services at a low enough real price for competing employers to employ them."

Meade had no doubt that a part of the solution was to allow wages to adjust until everyone who wanted a job could have one. This contrasts with today's standard nostrums on the left, which call for more education and training, to produce a "high-wage, high-skill" economy, combined with minimum wages and higher officially mandated employment conditions.

Yet there is no necessary link between the skills of a people and the rate of unemployment. Although the US has a less broadly educated labour force than Germany's, it has generated more jobs and lower unemployment. As Meade noted, education and training "are concerned basically with raising the output per head of those who are in employment rather than with the number of heads that will find suitable employment".

Whatever the stock of skills and physical capital may be at any moment, full employment, in the old sense, will emerge only if the labour market clears. Improving the stock of skills might make that easier, by raising the real wages employers can afford to pay. But whether it does so in practice depends on how the market works. At present it does not work well enough in the UK and worse in most continental countries.

People promptly object that the UK cannot – or should not – compete on the basis of low wages or, in the European context, of "social dumping".

Such complaints are absurd. As Meade argued, provided there were no direct subsidisation of wage rates, the real wages for unskilled UK labour would simply become what they need to be to absorb the available labour supply. European countries that have distorted their own labour markets by imposing high minimum wages, high taxes and high mandated labour standards insist that others should do the same so as not to inconvenience them. Such a partnership in folly is no basis for amicable relations.

Yet there is one cogent objection to labour market clearing, that it may – and, on US and UK evidence, will – lead to a substantial increase in both poverty and inequality. But the answer to this genuine concern is not to distort the cost of labour; rather it is to weaken the link between the standard of living of poor people and the wages they earn.

That makes reform of the welfare state a necessary complement of labour market reform if unemployment is to be durably lowered. Meade's proposal was for a citizen's income, which would guarantee a given basic income to everyone. Initially this would be paid for out of taxation. Ultimately, however, it would derive from the income from assets accumulated by the state over a lengthy period for the benefit of all citizens.

If adverse trends in the demand for unskilled labour continue, European welfare states may well be forced to contemplate such a policy package. The standard European alternative of high labour standards, high taxation of unskilled labour and high benefits for those out of work has demonstrably failed.

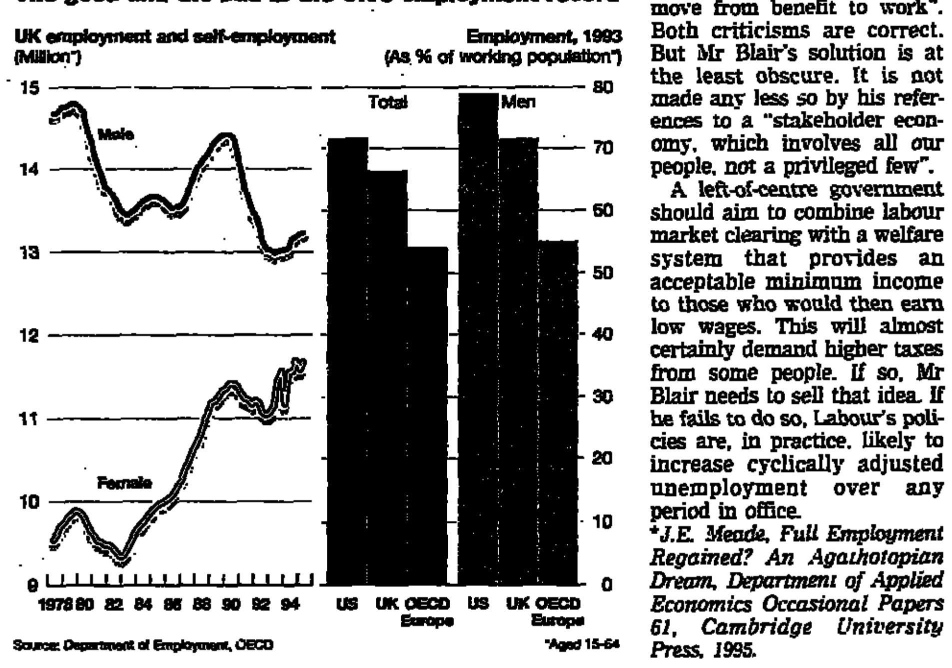
Meanwhile, the US alternative of liberal labour markets and virtually no welfare has lowered unemployment and generated a far higher ratio of employment to the economically active population. But the low wages available to unskilled people have not only resulted in substantial inequality, but have also contributed to the growth of begging and, worse, crime.

Mr Blair realises that reform of the welfare state is essential. He observes, for example, that the welfare state "suffers today from two important weaknesses: it does not alleviate poverty effectively and it does not properly assist the growth of independence, the move from benefit to work". Both criticisms are correct. But Mr Blair's solution is at the least obscure. It is not made any less so by his references to a "stakeholder economy, which involves all our people, not a privileged few".

A left-of-centre government should aim to combine labour market clearing with a welfare system that provides an acceptable minimum income to those who would then earn low wages. This will almost certainly demand higher taxes from some people. If so, Mr Blair needs to sell that idea. If he fails to do so, Labour's policies are, in practice, likely to increase cyclically adjusted unemployment over any period in office.

**J.E. Meade, Full Employment Regained? An Agathotopian Dream, Department of Applied Economics Occasional Papers 61, Cambridge University Press, 1995.*

The good and the bad in the UK's employment record



Source: Department of Employment, OECD *Aged 15-64

Marketing • Jeremy Grant

Accent on local characteristics

Foreign agencies are finding that western advertising instincts clash with customs in Vietnam

In Vietnam, it only takes a small stroke of the pen to create a big misunderstanding, as US electronics giant Motorola found out to its cost in a television advertisement last year.

The product was a pager which for the first time allowed the use of accents over Vietnamese characters, essential to the proper understanding of the language.

The television commercial showed a pager message going out to a footballer on his way to a game, reminding him not to forget to bring the ball. Accents on the word for "ball" were deliberately left out of the message, changing the meaning to "cake". The footballer was duly shown on the pitch clutching a cake.

"It bombed," says one foreign advertising agency executive. "The Vietnamese thought it implied the guy wasn't bright enough to see what the message should have been. It was a great idea but they probably shouldn't have played around with the language."

Motorola is not alone in finding that western advertising instincts can clash with local cultures in Vietnam.

Although other countries in the region present similar difficulties, Vietnam's years of socialist isolation have added an extra dimension. Vietnamese officials are wary of the effects of unfettered consumerism on traditional culture, the government is uneasy about opening the door to western agencies and officials are unsure how to regulate them once they are in.

Foreign agencies have flocked to Vietnam since the country's nine-year-old market-oriented reforms started to produce rising urban incomes. Signs bearing the names Ogilvy & Mather, McCann-Erickson, Leo Burnett and J. Walter Thompson are common in of Ho Chi Minh City, a bustling industrial centre, although less so in Hanoi, the capital.

In Ho Chi Minh city, where memories of US brands common before 1975 still linger, average per capita income is $810, and 90 per cent of residents have access to television. These are rich pickings for clients of the agencies – the multinational consumer groups.

A further attraction is that advertising costs are low. A 30-second, weekend prime-time slot on television in Ho Chi Minh City costs just $900, up from $720 last year. In Europe, the same slot would cost about $30,000. Industry sources say that billings last year were estimated to be $80m and are set to rise this year.

However, few of the agencies operate in much comfort. Although representative offices are allowed, agencies are not permitted to book business in Vietnam and are forced to book work offshore.

Most had been quietly establishing informal relationships with local agencies in the hope of forging joint ventures. But in July, the ministry of culture, which regulates the industry, unexpectedly said it would allow only a looser "co-operation" contract. "We would prefer to have joint ventures in order to have equity. We are hoping that the government will change their minds on that," says Mr David Bell, chairman of Bates Vietnam.

> Officials are wary of unfettered consumerism, the government is uneasy about western agencies and officials are unsure how to regulate them

Shortly afterwards, accusations of cheating at 14 foreign agencies appeared in the local press and the authorities, suspicious that some agencies were abusing representative office status, conducted wide-ranging tax inspections.

This has unnerved the agencies, which now question whether the authorities welcome them at all. "They look at us and say we are not coming in and building bridges and roads. International agencies are the pinnacle of capitalism so they fear us giving an unfair advantage to foreign brands," says one senior executive with a leading agency.

Industry sources say that some smaller agencies were breaking the rules. Mr Vo Ngoc An, vice-director of the Ho Chi Minh City branch of the Ministry of Culture, prefers to see it in terms of finding the right way to regulate foreign agencies. "I think that when foreigners come here to invest, they want to promote their products. We just want to regulate them in the correct way."

The authorities are also trying to regulate the local agencies, launching a campaign this month to reduce the 300 billboards cluttering the city's skyline and ordering an industry-wide review of practices.

There are also plans to encourage the use of Vietnamese in all advertising, and advertisers are being urged to emphasise "Vietnamese characteristics" where possible. A recent advertising campaign by lingerie manufacturer Triumph depicting western girls wearing nothing but underwear was deemed to have overstepped the mark.

An official points out: "If you paint a picture of a young girl with few clothes on, that's not very Vietnamese. We are trying to maintain our traditional characteristics."

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Confusion of debates on balancing budgets

From Professor Laurence A. Gordon.

Sir, Your editorial ("Fiscal crisis of the state", January 6/7) rightly points out that the "theme of the decade", for countries around the world, is fiscal soundness. However, we should not confuse a country's fiscal soundness with its political rhetoric concerning a balanced budget. For example, in the US the balanced budget debate has been an annual "political sport" for decades. This year's game has taken on added attractions with two partial government shutdowns in as many months.

Discussions on the fiscal soundness of a central government would be far more productive if they focused on the process, rather than the outcome, of efficiently allocating scarce resources. Take the US budget crisis as an example. The US federal government, as do most central governments, follows a unified budgeting process. Under this process, both capital and operating expenditures are charged to the period. Thus, debates on balancing the annual budget are mixing up short-run benefits with long-run benefits. At best, debates on balancing the budget are confusing. At worst, these debates are resulting in further deterioration of the US infrastructure – something our fiscal soundness can ill-afford.

Lawrence A. Gordon,
professor of managerial accounting; co-editor of the Journal of Accounting and Public Policy,
College of Business and Management,
University of Maryland-College Park,
College Park, MD 20742 US

US shutdown good for Dole

From Ms Eileen O'Connor.

Sir, Senator Bob Dole's determination to end the US government's partial shutdown has boosted his approval rating to 63 per cent, up 11 points in one month. His gap behind President Clinton has narrowed to 48 per cent against 42 per cent versus 52 per cent against 38 per cent last month. None of Mr Dole's challengers for the Republican nomination scored double figures in the poll. Even Speaker Newt Gingrich, although thankfully not a challenger, only had a 33 per cent rating.

Is it possible that the longer this shutdown continues the more the Republican party will benefit? Although Mr Dole's rating will increase at the expense of his challengers, it will consolidate once and for all his position as the Republican candidate.

Eileen O'Connor,
20 Edgewood Road,
Glen Ridge,
New Jersey, US

The mathematics of Buffett

From Dr A.P. White.

Sir, John Train's mathematics are at fault in his article "Making money the Warren Buffett way" (December 30/31). Doubling every year for 20 years gives a multiplication factor of rather more than 1m. If the starting capital is $1,000, then the sum after 20 years is actually $1,048,576,000 before tax.

It is not clear what tax rate is intended but, assuming a rate of 30 per cent, this gives a final figure of $734,003,200.

On the other hand, paying tax at the same rate of 30 per cent every year means that the annual multiplication rate is 1.7, rather than 2. Over 20 years, this gives an overall multiplication factor of a little more than 40,642.

Thus, under the second scenario, the final sum is $40,642,314.

A.P. White,
School of Mathematics and Statistics,
University of Birmingham,
Edgbaston,
Birmingham B15 2TT, UK

NZ monetary and fiscal policy consistent and has Reserve Bank support

From Mr W.F. Birch.

Sir, I take strong exception to your coverage on December 14 ("NZ plans tax cuts for lower earnings") and 19 ("Push and pull of NZ policy") of the announcement of the New Zealand government's tax and social policy package and the release of the Reserve Bank of New Zealand's six-monthly monetary policy statement. Your correspondent made the following claims:

- The Reserve Bank tightened monetary policy in response to the announcement of tax reductions;
- The New Zealand Treasury assessed the tax cuts as affordable – but only just;
- The Reserve Bank disagreed with the Treasury's assessment that the tax reductions were consistent with the achievement of the 0 per cent to 2 per cent inflation target.

Your article of December 19 implies that short-term economic prospects will suffer due to inconsistent monetary and fiscal policy settings.

On the contrary, throughout the development of the tax and social policy package, the government has tailored the package to ensure that it is consistent with sustained economic growth and price stability. Reflecting this, the government imposed on itself a set of conditions which was required to be met before a definite commitment was made to proceed with tax reductions.

One of those conditions was that there would be no tax reductions if there were significant risks of strong inflationary or balance of payments pressures emerging as a result.

In making that judgment, I sought the advice of the governor of the Reserve Bank prior to making a final decision on the size of the package. I publicly released that advice on December 13 with the December economic and fiscal update. At that time, the Reserve Bank publicly reaffirmed its comfort with the advice which it had originally provided in November. In his advice, the governor specifically commented that the timing and magnitude of the package were consistent with prudent macroeconomic management.

Further, the Reserve Bank's view is that the package's impact on inflation is not expected to threaten the bounds of the price stability goal or erode the public's expectations of ongoing price stability. This view was reaffirmed in the bank's monetary policy statement of December 14. Finally, the governor's advice to me was that the package would not, of itself, necessitate any particular adjustments to monetary policy settings as the substance of the package was already incorporated into market expectations and the bank's policy stance.

At the same time as I released the Reserve Bank's advice, I also released the advice which the Treasury had provided to the government on the tax and social policy package. The Treasury assessed the package against the conditions which the government had set. It concluded that the conditions were prudently expected to be met, both to their letter and spirit. This hardly seems consistent with the grudging support alleged by your correspondent.

Over the past few years, New Zealand has enjoyed a remarkable period of strong economic and employment growth combined with price stability. The December economic and fiscal update, released last month, projects continued strong economic growth, fiscal surpluses rising, even after the tax reductions, to 5.6 per cent of GDP in 1998-99, inflation remaining below 2 per cent and a stable balance of payments position. That outlook is the product of consistent and prudent economic management which we have followed in designing the tax and social policy package and which we intend to reinforce in the years ahead.

W.F. Birch,
minister of finance,
Parliament House,
Wellington, New Zealand

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday January 9 1996

Double life, double legacy

It will take more than one generation of historians to settle François Mitterrand's rightful place in the history of France and of Europe. Seldom can a leader have dominated his country's politics for so long a period while leaving commentators divided and uncertain not only about the rightness of his policies but about the true stature of the man.

Throughout his career he surrounded himself with an air of mystery and intrigue which led him again and again to be written off as little more than a schemer. In his youth he had connections with the extreme right and with the wartime Vichy regime which came back to haunt him in the last year of his presidency. A brilliant career in the party intrigues of the Fourth Republic seemed to have ended in ignominy at the beginning of the Fifth, when there were suggestions that he had connived in a fake attempt on his life.

Yet by 1965 he had emerged as frontman for a left which had united in opposition to de Gaulle. After 1968 he was ostracised again for having let himself seem willing to be propelled into power by strikes and demonstrations rather than the ballot box.

But in the years that followed he rebuilt the shattered socialist party, ingeniously using a strategy of alliance with the communists as an engine to reduce their influence until, in 1984, he was able to treat their departure from his government as a matter of indifference.

Having built his power on relentless opposition to the Fifth Republic, he proceeded, once elected president, to assume de Gaulle's mantle and all his constitutional powers. Like de Gaulle, he represented the state with a certain *hauteur* and sense of style, which bolstered the self-respect of many of his compatriots. And after two years of radical leftwing policies, including a swathe of anachronistic nationalisations, he made an abrupt U-turn, becoming the chief pedagogue of France's painful initiation into the realities of power and the market in late 20th century Europe.

Such a teacher was badly needed, and perhaps only one with Mitterrand's laboriously acquired leftwing credentials could have succeeded. In the years before 1981 two impeccably orthodox instructors, President Valéry Giscard d'Estaing and his prime minister Raymond Barre, had failed dismally to get their message across. Mitterrand did better, liberalising the French economy and imposing on his country the constraints of the European single market.

The present crisis sees France again polarised between right and left, threatening the consensus in favour of European integration which Mitterrand so carefully nurtured. In one way that is a vindication: it shows how necessary his tactical skills and ambiguities were to the successful introduction of reform. On the other hand, it also shows how much of the necessary reform he left undone.

Labour's tune

The House of Commons returns today to a familiar political landscape. For all Mr John Major's appeals for unity, the Conservative party still appears bent on self-destruction. Divisions over Europe, the economy and the welfare state are robbing the government of strategic purpose. The general election is at most 16 months away, but the prime minister's energy is absorbed in soothing the warring factions in his own party rather than in shaping a prospectus for the nation.

By contrast, Mr Tony Blair is cushioned by a lead of 25 points in the opinion polls and by a self-discipline in the Labour party born of 17 years in opposition. The growing assumption, abroad and at home, that Mr Blair is on his way to 10 Downing Street gives an authority to his pronouncements which Mr Major can only envy.

The Labour leader has not been slow to capitalise on the willingness of the media to invest his speeches with revelatory qualities. In Tokyo last week he was filmed assuring business leaders that Labour was now the champion of competitive markets, inward investment and the enterprise economy. In Singapore yesterday morning, he coined what promises to be a central slogan of his election campaign by setting out Labour's plans for a "stakeholder economy". At last, said the television and radio news bulletins, Mr Blair had outlined his "big idea".

In fact, most of the thoughts will be familiar to those who have listened to the Labour leader over the past 18 months: the primacy of education as the route both to economic success and social cohesion, the need for partnership between government and industry, the importance of giving every citizen matching rights and responsibilities. In Mr Blair's world, rich and poor alike would have a stake in economic success, in a reformed welfare state and in rebuilding a deeper sense of society.

His critics will rightly point out that there is little here in the way of hard policies. The promises of a transformed education system and a reformed welfare state come much easier than the detail. But it would be wrong to underrate the political significance of such speeches. Having dumped the statist and egalitarian instincts of his party's past, Mr Blair is writing a new songsheet for the electorate. The chorus – that economic efficiency and social cohesion are complementary not exclusive – has much resonance in the insecure 1990s.

A few months ago, the government began to compose an alternative hymn. The UK could prosper in the chill winds of international competition to become "the enterprise centre of Europe" only with the Tory agenda of liberalisation, deregulation and low taxes. It was a refrain well worth listening too, but one soon drowned out by the discord within Mr Major's party. It is hardly surprising that the voters are humming Mr Blair's tune.

Cyberporn

The Minotaur of Greek mythology, half-man, half-bull, was imprisoned at the heart of a maze called the Labyrinth. Many have interpreted the fable as a metaphor for the uncivilised fantasies and urges buried in the human mind. It is also an apt symbol for the threat of pornography which some governments feel lurks in the electronic paths of the Internet.

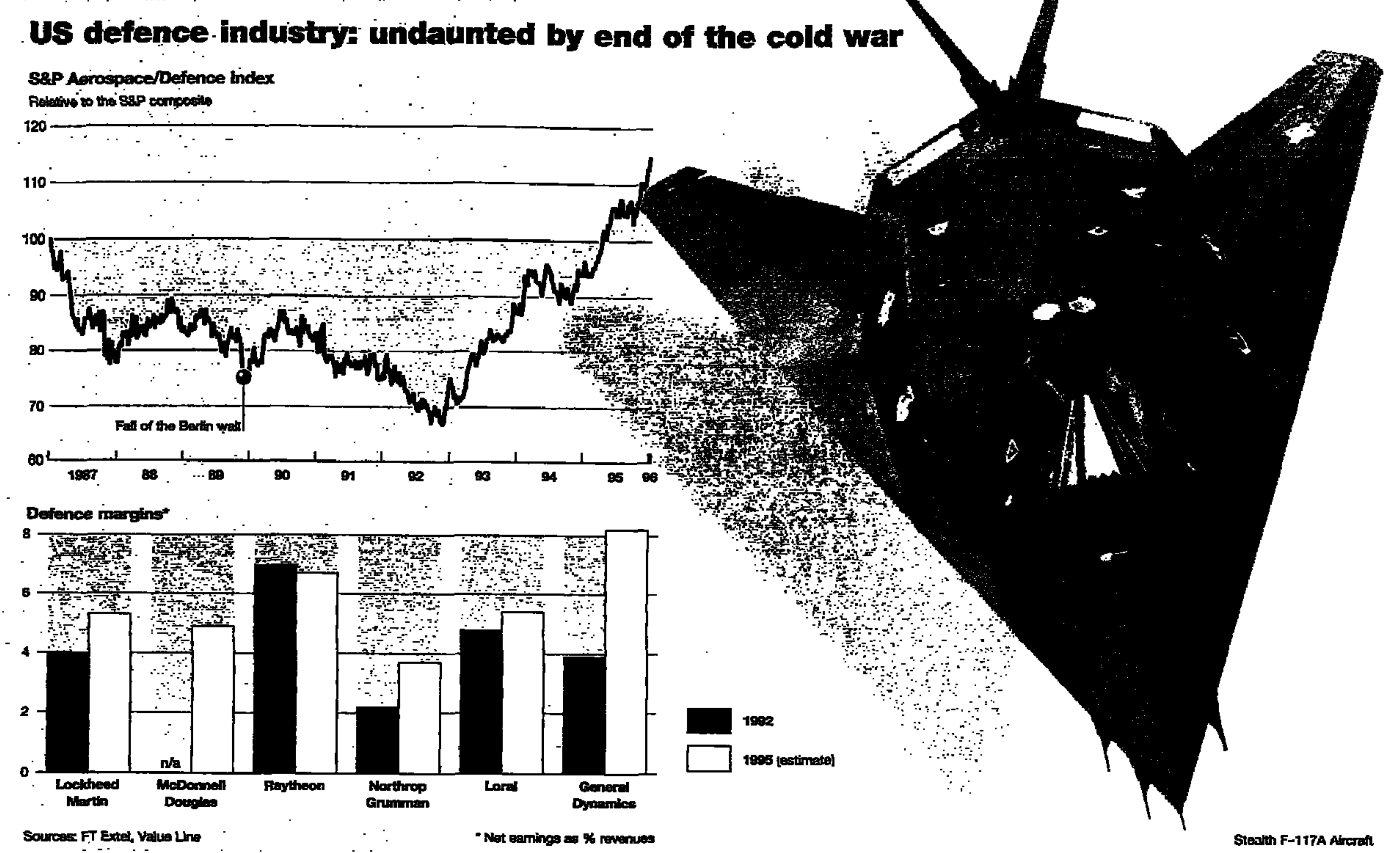
Two weeks ago, a prosecutor in Munich, Germany, told CompuServe, a company providing computer users with Internet access, that some information on the net violated German laws, particularly those designed to shield children from sexually explicit material. CompuServe promptly blocked access to such information for all users worldwide, as it could not filter data sent to Germany. Result: outrage from Internet users, who feared that freedom of expression would be pared down to the level of the world's most repressive regimes.

The Internet is not the only arena where some governments fear that technology is moving beyond regulation. Satellite broadcasting, fax machines, even the humble modem have aroused unease or opposition for enabling information to flow across borders. Nor is obscenity the only regulatory question plaguing the Internet: it is unclear how national copyright and libel laws apply to its traffic.

But cyberpornography raises tricky questions. There is no international standard of offensiveness: different cultures are bound to differ on this. At the same time, much material on the Net will offend many people. More or less any conceivable fantasy is represented somewhere, particularly as the scenes depicted may never have taken place, but may be simply an electronic montage.

Solutions are not easy. It may be impossible to regulate material at origin, as a bill before the US Congress wants to do. This also threatens to impose the standards of a single country on all. Prohibiting users from securing obscene material, defined on local terms, makes more sense. But determining who has done so is near-impossible. As a result, governments may adopt the Bavarian solution of pursuing companies such as CompuServe. However, service providers are not responsible for putting material on the Net or for downloading it; they may not even know it exists.

Yet the Internet should not be beyond regulation. Copyright issues need to be addressed, for example. But if it is technically impossible for censorship to be applied by a government to its own citizens, the choice is between regulation of the whole system at the standards of the most censorious country and a free-for-all. Since it would be undesirable for restrictive governments to dictate what can be transmitted over the whole network, consumers should be allowed to decide.



Sources: FT Extel, Value Line
* Net earnings as % revenues
Stealth F-117A Aircraft

From swords into cash

The rationalisation of the US defence industry is costing jobs but is proving very profitable for shareholders, says **Tony Jackson**

Seven years on, the US defence industry is still grappling with the end of the cold war. Its most drastic response, a series of giant mergers, is still in full swing. Last week came Northrop Grumman's $3bn (£1.94bn) purchase of Westinghouse's defence business. That was capped by yesterday's $9bn bid for Loral by Lockheed Martin, itself the result of a merger only 10 months ago.

The driving force is simple enough. The US government's spending on defence procurement peaked at $82bn in 1991. This year, it will be some 40 per cent below that figure. While Mr Newt Gingrich's Republicans are publicly committed to reversing the cuts, few in the industry expect the substance to match the rhetoric.

In the resulting process of consolidation, the Loral-Lockheed deal marks a new and significant stage. So far, mergers have broadly taken two forms. In the first, companies not committed to defence, such as Westinghouse, Ford or Honeywell, have sold their defence divisions to the industry specialists. Second, defence contractors of approximately equal size have come together, such as Northrop and Grumman or Lockheed and Martin Marietta.

Loral to date has been very much a predator rather than prey in the process of buying those not committed to defence. Since 1990 it has mounted a series of aggressive acquisitions under its highly regarded chief executive Mr Bernard Schwartz, including the defence divisions of Ford, Honeywell, Unisys and the steel company LTV. As a result, its revenues have risen by more than 25 per cent a year, in a period of sharply dropping revenues for the industry as a whole.

Loral's decision to sell itself to Lockheed Martin – by now established as the industry leader – is thus a stark illustration of the scale of the pressures the industry faces. But these pressures need to be carefully defined.

While defence companies' revenues have fallen sharply since 1991, profits have done the reverse. At the aircraft maker McDonnell Douglas, sales since 1991 are down by some 23 per cent, but net profit has almost doubled. For a group of seven leading defence contractors, net profit margins rose from 3.1 per cent in 1992 to an estimated 5.4 per cent last year.

The most obvious and public reason for this has been cost-cutting, with or without the benefit of merger. The combination of the aircraft makers Northrop, Grumman and Vought led to 14,000 job losses last year in a combined workforce of 53,000. The addition of the Westinghouse defence business will doubtless produce more cuts again.

Similarly, Lockheed Martin is in the process of cutting 12,000 out of 170,000 jobs and closing 12 factories. Again, the Loral deal will mean more of the same.

Mergers apart, Raytheon, the defence company based in Massachusetts, cut its employment in the state by a third, or 10,000, between 1990 and 1994, and reduced its plants there from four to one. It now threatens to move entirely out of Massachusetts – a traditional centre for the defence industry – thus presumably escaping the state's traditionally high-cost, unionised workforce.

But while cost-cutting has proved surprisingly profitable, it cannot be continued indefinitely. Sooner or later, workforces will be brought in line with reduced demand. And in some parts of the industry, such as airframe manufacture, there is no substitute for large, centralised plants.

Another much-touted escape route for the industry has been the turning of swords into ploughshares: so-called "conversion", whereby military technology is put to commercial use. Thus, the makers of flight simulators are turning to the production of arcade games; or, more seriously, a surveillance specialist such as Raytheon can secure a $1bn-plus contract for monitoring the environment in the Amazon basin.

In general, this has proved a disappointment. As a senior US academic says, from the mid-1970s the defence industry became so dependent on performance regardless of cost that few of its technologies were commercially viable. In addition, defence companies have little experience of marketing to the wider world. As Lockheed Martin's chairman Mr Norman Augustine said last year, "our industry's record at defence conversion is unblemished by success".

On the other hand, there has been a shift in the industry's favour in the way the government pays for its contracts. In the heyday of the Reagan era, companies were tempted into bidding for business on fixed contracts. As one analyst puts it, "the industry thought, rather foolishly, that it could build something which had never been built before for a fixed price".

With the ending of the cold war, the industry has shifted more of the risk on to the taxpayer through a system of cost-plus contracts. The majority of the old fixed-price contracts, struck on slim or zero margins, have now moved out of the expensive development stage and into the more profitable phase of production.

That leaves one vital source of improved profitability: the slowdown in the industry itself. While defence companies are reaping the benefits of past investment, they no longer have to re-invest on the same scale.

Mr Byron Callan, defence analyst at Merrill Lynch, says: "This is a mature industry with an exceptionally long product life-cycle. The F-15 or F-16 fighters were designed in the 1960s, entered production in the late 1970s and will probably still be being made in the next century."

In the old days, the profits from such a product would largely be ploughed into the next generation of weapons, to counter whatever the Soviet Union came up with. Now, the cash is mounting up. The Lockheed-Loral merged company, the companies said yesterday, will have free cash flow of between $1.5bn and $2bn a year.

To the extent that this is a self-liquidating process, it plainly cannot be continued indefinitely either. Yet it is not all gloom in the industry. While it is still going through a stage of enormous transition, there is evidence that defence spending worldwide has bottomed out. In the US, at least, the efforts of Mr Gingrich and his colleagues might even secure a slight increase.

In addition, Mr Callan says, "globally, a lot of the military equipment bought in the 1960s to 1980s is coming to the end of its useful life. So while budgets are bumping along the bottom now, 10 years from now the US military has a very interesting problem in maintaining its size, based on elderly capital assets. Russia and China will have the same problem, and parts of Europe as well."

In other words, the defence industry could prove very profitable for its long-term survivors.

In the US, there is certainly more consolidation to come. There are still several competing suppliers in many areas, such as missiles and naval vessels. And the US government – which is, after all, directly responsible for the drop in revenues – is plainly disposed to turn a blind eye to reduced competition and higher profitability in the interests of keeping the industry alive.

This could in itself prove crucial to the US industry's future. The pressures for consolidation which are being felt in the US also apply across the globe. It is not impossible that in the next century, the world will support only a handful of giant defence contractors.

But in Europe, for instance, national sensitivities persist. At the local level, even second-league companies from the same country such as the UK's General Electric Company and British Aerospace cannot agree the terms of a merger. Consolidation between the British, the French or the Germans will prove even harder.

In such a world, a giant such as Lockheed Martin, with revenues of $30bn and an order backlog of $47bn, has a headstart. It may prove correspondingly hard to catch up with. In one sense, the convergence of the US defence industry is plainly a response to weakness. In another, it is very much a source of strength.

· OBSERVER ·

Human garbage

■ What a time to go on strike. As New Yorkers struggled to work yesterday, they faced an additional hazard.

Many of the janitors, maintenance workers and cleaners who keep New York's office buildings running have gone on strike. These are the unseen folk who put out the garbage, turn up the heating and, most important of all, clear the sidewalks of snow in front of each building.

The 33,000-strong Local 32B-32J of the Service Employees International Union is one of the most important in the Big Apple and has some friends in high places.

John Sweeney, the new president of the AFL-CIO federation and America's most powerful union boss, used to run the local New York union and was still drawing a big consulting fee from 32B-32J in 1994.

Sweeney wants the US Labour movement to be more militant, which suggests that the current struggle in New York could run and run.

However, before you feel too sorry for New Yorkers shivering in their office blocks – spare a thought for Sweeney's old union.

His old members are only going on strike because the office owners are treating them like garbage. They want to cut the starting salary for janitors from $573 a week to $352 a week.

Don't call us

■ So who said the Germans always do as they are told? Deutsche Telekom, which has just raised the price of phone calls by up to 156 per cent, has been rewarded with four rocks hurled through the window of its Kassel shop.

A message affixed to one of the lumps of stone read: "Ringing was too expensive – Union of Critical Telekom Users". The company says there is DM10,000 worth of damage to repair.

Now Kassel rates as one of Germany's duller cities, known, if at all, for its employment tribunals.

If the good burghers of Kassel get this exercised about bigger phone bills, one cannot but wonder what will happen if the price of Telekom shares, due on the market later this year, should take an unexpected tumble.

Costa del Arctic

■ David Hempleman-Adams, the Brit who has just completed his chilly solo and unsupported walk to the South Pole, professed to be looking forward to a pint of beer and fish and chips. But he'll have to suffice with the Tasmanian version, because he won't be back on British shores for quite a while to come.

His brother Mark says he will be going directly to Hobart, where he is planning a yachting trip to locate the magnetic south pole (which is in the middle of the ocean).

Then it is back up to the Northern hemisphere to walk to the other magnetic North Pole – accompanied by a select group of eight "ordinary" people willing to pay £15,000 for the privilege.

No one is prepared to say when Hempleman-Adams might be returning to the UK. But last autumn, the two brothers sold the family business, Robnorganic Systems, which designs, manufactures and supplies epoxy resins and polyurethanes for the electronics industry. David became a multimillionaire are a result, so a lengthy spell abroad could be said to have come at just the right the moment.

Diplomatic hitch

■ Just when it seemed that the row over Mohammed al-Massaari, the Saudi dissident, was starting to run out of steam, there are rumbles of discontent in Dominica, the tiny island in the West Indies which was supposed to be al-Massaari's home away from home.

Dame Eugenia Charles, the former prime minister of Dominica who retired last summer, has raised the question of whether it is worth Dominica falling out with Saudi Arabia over the issue of asylum. She wants to know whether there is some hidden benefit for Dominica and is not too happy with the suggestion by Edison James, her successor, that too much was being made of the matter.

Al-Massaari might not want to go to Dominica anyway, but if Dame Eugenia says no then it is unlikely that Dominica will say yes.

Even in retirement the "Iron Lady of the Caribbean" has the final say.

Schadenfreude?

■ InfoMatin, the spunky but loss-making French tabloid daily, produced its final edition yesterday with a mournful "Au revoir" front-page headline addressed to its dearly beloved but insufficiently numerous readers.

So was it stuffed with kindly messages from the paper's fans? Not a bit of it. Two of the scant few adverts that graced its pages were from France Télécom on the subject of the success of its Itineris portable telephone service.

The company took the opportunity to thank its 700,000 subscribers (about 10 times the number of daily purchases that InfoMatin mustered) and to welcome those who would join it during 1996.

The Financial Times

100 years ago

State of revolution declared
New York: "The World" publishes a telegram from Caracas stating that Venezuela has been formally declared in a state of revolution, and that the Government asks the Legislature to sanction a Decree making secret communications with foreign Governments punishable by death, as an act of treason. An exception is made in the Decree in favour of American citizens. The telegram adds that England is accused of having instigated the revolution.

Advance Australia!
We have not ignored the serious results of the insane policy which led to the banking crisis of 1893 and retarded for years the progress of the Australasian Colonies. Whether owing to good luck or to good management, New South Wales stands now in the forefront of the Australasian Colonies. It suffered less than others from the banking crisis.

Union Pacific reorganization
New York: Considerable majorities in First Mortgage Bonds of the Union Division Main Line, Kansas Pacific Railway Denver Extension, and of Omaha Bridge Bonds, have been lodged with the Reorganization Committee. The Committee now intend to proceed promptly and energetically with general foreclosures.

FINANCIAL TIMES
Tuesday January 9 1996

German metal industry fails to agree on jobs for wage restraint

By Wolfgang Münchau in Neu-Isenburg

Employers and unions in Germany's metal industry yesterday failed to agree on a radical proposal to create 330,000 new jobs in the industry in return for wage moderation.

After negotiations held outside Frankfurt, the two sides disagreed vehemently on how to reform the industry, but scheduled further talks for January 18.

At stake is a proposal by Mr Klaus Zwickel, president of the IG Metall trade union, for an "alliance for jobs", a trade-off between wage restraint and new employment.

Under his plan, metal industry employers would create 330,000 jobs between 1996 and 1998, which would include 30,000 for the long-term unemployed. In exchange, IG Metall would agree to a wage increase not greater than the rate of inflation in 1997. There will be no wage agreement this year because last year's pay deal runs until the end of 1996.

Employers object to the idea that they have to deliver their part of the bargain first, and also oppose any binding targets for the creation of jobs.

Mr Hans-Joachim Gottschol, president of Gesamtmetall, the metal employers' federation, said after the meeting: "There are significant problems to get the alliance for jobs up and running. But at least we have agreement on the aims."

Gesamtmetall opposes union demands to give a specific commitment for new jobs in exchange for wage moderation. Mr Gottschol instead proposed a three-step programme to increase the flexibility of the labour market in the metal industry.

His proposal would allow companies to offer lower entry level wages for beginners, allow deals for lower wages in exchange for job guarantees and provide incentives to cut overtime.

But Mr Zwickel said Mr Gottschol's ideas were unacceptable: "The proposal assumes a different approach from our own. It will leave the status quo intact. It rests on weakening of contracts and political deregulation."

Mr Hans Peter Stihl, president of the German chambers of industry and commerce, and an outspoken critic of Mr Zwickel's proposal, said: "With our wage costs and our social costs we are the most expensive country in the world. That's why we need moderate wage agreements. The best would be zero-wage deals, as we have done in 1994."

In Bonn, Mr Zwickel's proposal has been received enthusiastically by Chancellor Helmut Kohl, who has pledged to turn the fight against unemployment into his political priority in 1996. Last week, the Federal Labour Office warned that unemployment might pass 4m this winter, over 10 per cent of the workforce.

Mr Edmund Stoiber, prime minister of Bavaria, yesterday became the latest German politician to announce his own action plan against unemployment. In an interview with Focus, the news magazine, Mr Stoiber reaffirmed his support for Mr Zwickel's "alliance for labour".

Mitterrand

Continued from Page 1

president's vision of a united Europe would provide Bonn with "a legacy and stimulus", the German leader said.

The Mitterrand-Kohl axis was instrumental in pushing through the 1986 Single European Act and the 1992 Maastricht treaty, paving the way for European monetary union.

Mr John Major, the British prime minister, expressed his "great sadness" at the passing of Mr Mitterrand. Baroness Thatcher, former prime minister, said he was a man she "liked well and respected".

Mr Lamberto Dini, Italian prime minister, said he was "very saddened" by Mr Mitterrand's death. Mr Dini is one of several European leaders to incur Mr Chirac's wrath for condemning the latter's decision to end the nuclear test freeze imposed by Mr Mitterrand.

A man of legendary contradictions, Mr Mitterrand moved from political right – briefly working for the wartime Vichy regime before joining the Resistance – to the left after the war.

An anti-communist, he brought communists into government in 1981, their first taste of power in postwar Europe, only to crush them when he turned France towards market socialism and Europe in 1983.

French Communist party leaders paid Mr Mitterrand tribute, but the pro-communist CGT union complained he had "disappointed the workers". On the far right, the National Front, which Mr Mitterrand was accused of tacitly encouraging in order to split his conservative opponents, said his death would permit "the renewal of France".

Once a severe critic of President Charles de Gaulle's Fifth Republic presidency, Mr Mitterrand slipped effortlessly and enjoyably into its mantle and never reduced its quasi-monarchical powers. His 14 years in power were marked by scandal. Ostensibly uninterested in money, Mr Mitterrand had friends who were.

UK and Japanese insurers plan Vietnam joint venture

Commercial Union and Tokio Marine are first foreign groups to win licence

By Peter Montagnon, Asia Editor, in London

Commercial Union of the UK and Japan's Tokio Marine and Fire Insurance are to set up the first foreign insurance joint venture in Vietnam following the award of a licence from the finance ministry yesterday.

The licence is a further move towards developing the country's financial services industry. It had been keenly awaited since legislation was passed last year to open the sector.

Although Vietnam has been gradually introducing competition to its insurance market, all its current companies are local state-owned entities.

More than a dozen foreign companies have representative offices in Vietnam, and are keen to enter a market which boasts economic growth rates of around 10 per cent. But no foreign company has previously been granted an operating licence. Even the new venture requires a further investment licence before it can open for business, although Commercial Union expects this to be granted soon.

The Vietnamese partner will be Bao Viet, the country's largest insurer, which will hold a 51 per cent stake. The two foreign companies will divide the remaining 49 per cent between them.

Capitalised at $6m, the venture is expected to concentrate on general industrial and commercial business and focus on the insurance needs of other joint ventures – including many Japanese projects – which have tended to place their insurance offshore.

Mr Mike Ridding, Commercial Union's overseas division director, said there were also opportunities in marine cargo and property insurance. The venture would wait before adding retail lines and life insurance, which is currently not available in Vietnam. Initially the new venture might not generate more than around $10m of premium income annually, he said, but "long-term Vietnam will be a sizeable insurance market".

Insurance in Vietnam remains an embryonic industry with total premium income of only $100m equivalent. Yesterday's licence is expected to fuel expectations among other insurance companies waiting to enter the market, but some cautioned that the authorities wanted to proceed slowly to avoid sudden changes in the industry.

Advertising in Vietnam, Page 12

Threat to Hashimoto PM bid

Continued from Page 1

unsuccessful attempt in 1992 to block a plan to send troops on United Nations duties.

NFP confidence has increased in recent days, fuelled by calls for a quick general election by senior executives, newspapers and trade unions.

This would be the third time in the past two years that a Japanese government has switched prime minister without consulting the electorate. The prospect has aroused public distaste and supported opposition arguments that a new LDP administration, without a general election, would lack a mandate.

Mr Hashimoto has countered it would be unwise to permit a break in power when the budget, which includes the funding for a controversial bailout of housing loan companies, has yet to pass parliament.

Mr Ozawa yesterday argued a general election could be held next month and still give time to push this year's budget through parliament for the start of the fiscal year on April 1.

"The current state of the three-party coalition is a much more serious issue than a possible political vacuum," Mr Yonezawa added.

To make matters worse for Mr Hashimoto, he yesterday ran into difficulties in selecting a finance minister, the most important and difficult job in the next government. His choice for the job, Mr Seiroku Kajiyama, a veteran LDP member, refused the post – normally highly sought because it is the most powerful government ministry.

But the job has become unpopular because the incumbent will have to fight a newly aggressive opposition for parliamentary agreement to use more than Y685bn ($6.7bn) of public money to liquidate the bankrupt housing loan companies.

Hashimoto: numerical support to win a parliamentary vote

THE LEX COLUMN

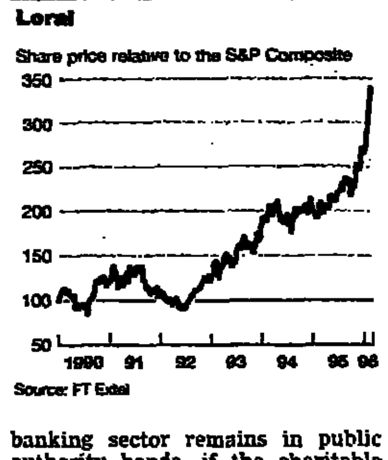
Defence integration

The significance of Lockheed Martin's planned $9.1bn acquisition of Loral's defence electronics interests is twofold. First, the new behemoth it will spawn will be much bigger in defence than even its largest US and European rivals. Second and even more important, Lockheed will acquire Loral's "systems integration" skills. As governments across the world shift more of the risk of building weapon programmes to the private sector, systems integration expertise is becoming more important. Loral is one of the few companies that excel in this area. Applying its skills to the merged group's turnover of $30bn could create a formidable competitor.

The planned acquisition is likely to spur further consolidation in an industry already caught up in a whirl of deal-making. The odds on Boeing's ongoing merger talks with McDonnell Douglas coming to fruition must have risen. Adding Loral's integration skills to Lockheed's fighter aircraft programmes would threaten Boeing's military aircraft business. Joining forces with McDonnell would help counteract that threat. Moreover, if Lockheed manages to win the approval of the US anti-trust authorities for its deal, the chances of Boeing clearing the regulatory hurdles for an acquisition of McDonnell will be fairly good.

There may also be copy-cat deals in Europe – such as the mooted tie-up between British Aerospace and Daimler-Benz's Dasa unit. The need for such consolidation is becoming ever more pressing. If Europe's defence groups do not pool resources, they risk being squeezed out by cheap US exports. Unfortunately, political obstacles to such cross-border consolidation remain – with many governments concerned to protect national sovereignty. But pursuing policies likely to debilitate their industries will hardly do much for national interests.

FT-SE Eurotrack 200: 1615.7 (+0.7)



Source: FT Extel

Italian banks

The Italian government is preparing to launch long-delayed share offerings for Enel and Stet, the state electricity and telecoms companies. But before indulging in any self-congratulation over its drive for a more dynamic private sector, it should take a look at a draft law currently languishing in the Senate. It addresses the problem of Italy's monolithic banking system, a greater drag on the economy than these utilities.

The government controls few banks directly. But some 60 per cent of the banking sector remains in public authority hands, if the charitable foundations are counted as public. And they should be, given that the foundations are controlled primarily by local government nominees. In response to corruption concerns, the banks now have separate holding structures. But since the boards of the banks and foundations tend to be remarkably similar and they offer jobs for life, there is no pressure to modernise risk management systems and boost profitability. As a result, Italy's small and medium-sized companies, currently the engine of economic growth, are losing out because of limited access to bank finance.

The draft law proposes the sale of these banks over a three-year period. The timetable is perhaps a little aggressive, but urgent change is necessary. These banks are becoming core shareholders in a number of privatised companies. If they themselves do not change, they are unlikely to provide much drive for efficiency elsewhere.

Redland

The nasty surprise in yesterday's profits warning from Redland was not that trading conditions in Germany are bad but that they are even worse than expected. Last September, volume in the German roof tiles business was expected to decline by 7 or 8 per cent in 1995. In the event, the fall was 10 per cent. Another 10 per cent drop is still expected in 1996.

The market's reaction was to mark down not only Redland but also others in the sector with exposure to Germany. This is sensible: history suggests such downturns are usually more severe than first predicted. Redland's exposure to Germany's dire housing market makes it particularly vulnerable. But companies with a more commercial slant, such as RMC, will suffer too, since the weakness of the economy is causing German industry to rein in spending.

The obvious reaction is to switch into building stocks with exposure mainly to the UK, where the economy is growing relatively rapidly. But housebuilders and building materials stocks have enjoyed a good run in recent months, on expectations of an upturn in the housing market. Candidates for switches, such as Blue Circle and Hepworth, are already trading at a premium, based on estimated 1996 earnings. Investors should wait for firmer evidence of recovery before embarking on another buying spree.

UK property

There are signs of life in the UK commercial property market after two years of unmitigated gloom. Property shares have underperformed the stock market by 26 per cent since 1994, as tenant demand failed to pick up in the wake of the recession. Nonetheless, investors have started to focus on the appeal of a sector offering high dividend yields, potential recovery in response to a strong gilts market, and historical outperformance during Labour governments. They should think again.

Yields on property investment trusts in the US fell last year, despite the substantial fall in Treasury bond yields, showing that it is unwise to rely on property values tracking the gilts market. Rental demand remains subdued, as companies struggle to restrain property and staffing costs in the current low inflation environment. And given the level of over-renting – properties where rent is contracted at above market levels – it will be some time before rising rents translate into higher income and dividends. Finally, the argument that Labour is good for property looks dated. Property's efficiency as a hedge against inflation has been discredited. Besides, there is no evidence that New Labour will deliver the restrictive planning policies and rising inflation of old. Subdued expectations for UK equities will make it harder for the property sector to underperform. But a bull run looks some way off.

Additional Lex comment on McBride, Page 18

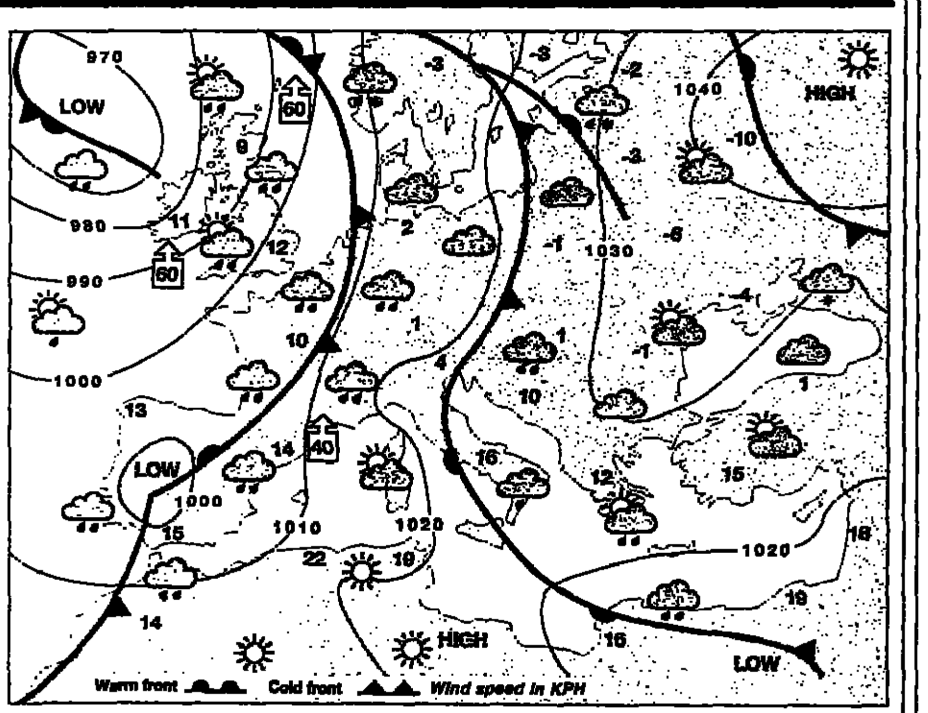
FT WEATHER GUIDE

Europe today

The first in a series of frontal systems will bring abundant cloud and outbreaks of rain to Portugal and Spain, France and the Benelux. A mainly southerly air flow will continue to bring milder air into western Europe. Maximum temperatures will range from 8C in the northern Benelux to above 15C in Spain. In the wake of the first front, the UK will be rather cloudy with rainy periods but some places will have sunny spells. Sunny spells will also occur in central Europe. Eastern Europe will have limited sun. Periods of rain will linger across Hungary and the Balkan states. Poland may have rain mixed with snow. South-eastern Europe will be rather cloudy. Greece will have rain. Most of Russia will be dry with sunny periods.

Five-day forecast

Several frontal systems will cross Europe during the middle of the week. It will be unsettled with cloud and rainy periods in the UK, France, Spain and Portugal. Later in the week, the Benelux will be mainly dry but will stay cloudy. Scandinavia and Italy will turn rainy and windy. Cold air will be pushed back into northern Russia and mild air will persist over western parts of the continent.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	fair	25
Accra	shower	32
Algiers	fair	22
Amsterdam	rain	8
Athens	fair	12
Atlanta	sun	11
B. Aires	fair	29
B.ham	rain	10
Bangkok	fair	32
Barcelona	rain	14
Beijing	sun	4
Belfast	shower	9
Belgrade	cloudy	5
Berlin	cloudy	0
Bermuda	cloudy	17
Bogota	fair	20
Bombay	fair	29
Brussels	rain	10
Budapest	rain	1
C.hagen	cloudy	1
Cairo	fair	20
Cape Town	fair	24
Caracas	fair	29
Cardiff	rain	11
Casablanca	rain	17
Chicago	cloudy	1
Cologne	rain	7
Dakar	fair	27
Dallas	sun	20
Delhi	hazy	21
Dubai	cloudy	25
Dublin	shower	10
Dubrovnik	cloudy	12
Edinburgh	rain	10
Faro	shower	16
Frankfurt	fair	3
Geneva	cloudy	8
Gibraltar	rain	15
Glasgow	shower	10
Hamburg	fair	2
Helsinki	snow	-3
Hong Kong	cloudy	19
Honolulu	fair	28
Istanbul	cloudy	8
Jakarta	thund	29
Jersey	shower	11
Karachi	sun	28
Kuwait	fair	20
L. Angeles	fair	23
Las Palmas	sun	22
Lima	fair	25
Lisbon	shower	14
London	rain	12
Lux.bourg	rain	6
Lyon	rain	13
Madeira	shower	19
Madrid	rain	11
Majorca	fair	18
Malta	fair	18
Manchester	rain	11
Manila	cloudy	29
Melbourne	cloudy	24
Mexico City	sun	20
Miami	sun	18
Milan	cloudy	4
Montreal	snow	-9
Moscow	fair	-5
Munich	fair	2
Nairobi	fair	27
Naples	cloudy	16
Nassau	fair	22
New York	fair	1
Nice	shower	13
Nicosia	fair	15
Oslo	snow	-2
Paris	rain	10
Perth	sun	38
Prague	cloudy	-2
Rangoon	sun	31
Reykjavik	cloudy	6
Rio	shower	30
Rome	fair	15
S. Frsco	cloudy	14
Seoul	sun	-2
Singapore	cloudy	30
Stockholm	sleet	1
Strasbourg	cloudy	4
Sydney	shower	25
Tangier	rain	18
Tel Aviv	fair	19
Tokyo	fair	6
Toronto	snow	-3
Vancouver	rain	10
Venice	cloudy	9
Vienna	cloudy	1
Warsaw	sleet	-1
Washington	fair	3
Wellington	fair	22
Winnipeg	fair	-9
Zurich	fair	4

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

E Europe bourses show strong gains

Bourses in Warsaw, Prague and Budapest set the pace for European exchanges as interest focused on the continent's emerging markets. In Poland, the Wig index defied some expectations of a downward correction and instead extended last week's 9.4 per cent advance with a rise of 185.5, or 2.2 per cent, to 8,484.4. The Czech Republic's PX50 index rose 12 to 437.9 for a 2.8 per cent increase. The Bux index in Budapest added 89.39 and closed with a 5.3 per cent rise at 1,779.10. Back Page

UK faces $22m EC fine over late subsidies

The UK agriculture ministry (Maff) faces financial penalties from Brussels amounting to about £14m ($22m) because of a delay in paying arable farmers their annual subsidy cheques. Sir David Naish (left), president of the National Farmers' Union, said: "Maff's failure to make payments in good time undermines our ability to compete, particularly when virtually all French producers received their cheques by the middle of October." Page 19

Crown chief to cut costs at CMB

Mr William Avery, chairman of Crown Cork & Seal, the US-based packaging company, said he aimed to reduce substantially the operating costs of Carnaud Metalbox, the French company with which the US group is merging, and acknowledged there were likely to be redundancies. Page 16

Mediobanca sets Ferfin offer price

Mediobanca, the Milan merchant bank, set a price of L1,534 per ordinary share for its obligatory offer for 158m shares in Ferruzzi Finanziaria (Ferfin), the Italian holding company. Page 16

Cemex concludes $430m share swap deal

Cemex, the Mexican group which is the fourth-largest cement company in the world, announced the successful conclusion of a $430m share swap programme it hopes will unify its operations in Mexico and consolidate it as a multinational. Page 17

CME and CBoT in talks on merger

Chicago's two big financial futures exchanges – and long-time rivals – are discussing a merger. Talks between the chairmen of the Chicago Board of Trade and the Chicago Mercantile Exchange have been informal, but a report to the CBoT's directors strongly endorsed the merger as a means of cutting costs at both exchanges. Page 17

McBride warning sends shares tumbling

McBride, the UK own-label household products group, warned that higher raw materials prices and production problems in the first half of the financial year would "adversely affect" its 1995-96 results. The shares fell 20 per cent in London to 148p. Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
CKAG Colonia Pr	945	+	18
Dyckerhoff	502.5	+	7.5
Hoechst	558	+	9
Hochtief	672	+	13
Falls			
SAP AG	228	-	3.75
Schmalbach Lub	216	-	8
NEW YORK ($)			
Rises			
Bolsa Oil	20⅝	+	1⅛
Loral Corp	44¼	+	1⅝
Toro	35⅞	+	2¼
Falls			
Aura Cb Amer	51⅝	-	3¼
Jan Chem	23	-	1½
Lowe's Co's	29⅞	-	1⅛
LONDON (Pence)			
Rises			
Abbeycrest	36	+	7½
Amstrad	153	+	17
Foo Corp	35	+	6
Falls			
Acorn Comp	212	-	25
McBride	148	-	37
Wolfson	385	-	40
TORONTO (C$)			
Rises			
Aber Res	9⅞	+	1⅜
Aamco Bo	16⅞	+	4⅛
Cotera Gld	9⅞	+	⅞
Tech	6⅞	+	2
Falls			
Bovar Corp	36⅞	-	73¼
Intl Pd	3	-	0.85
PARIS (FFr)			
Rises			
Euro RSCG	424	+	11.4
GTM-Entrepose	346.1	+	11.1
Synthelabo	338.5	+	15.5
Valeo	227.9	+	6.4
Falls			
Credit Natl	376.2	-	12.2
Fromageries Bel	4540	-	108
TOKYO (Yen)			
Rises			
Arabian Oil	4880	+	360
Renown	308	+	22
Teikoku Oil	738	+	25
Yokogawa Elec	1050	+	50
Falls			
Meiji Dec	757	-	21
Okuma	895	-	35
HONG KONG (HK$)			
Rises			
Cafe de Coral	2.1	+	0.2
Kin Ming Inv	6.85	+	0.3
Kowloon Dev	4.725	+	0.225
Falls			
Peregrine Inv	11.65	-	0.55
Denway Motors	2.35	-	0.25
Vitasoy Intl	2.975	-	0.2
BANGKOK (Baht)			
Rises			
Ratanin Land	51	+	4.5
Safari World	118	+	10
Samakhya	50.5	+	4.25
Siam Tyre	370	+	32
Thai Magnetic	50	+	4.5
Falls			
Thai Agri Foods	34.25	-	3.5

New York and Toronto prices at 12.30.

Accountancy row erupts in Italy over responsibility for spotting hidden losses

Coopers barred from Gemina audit

By Andrew Hill in Milan

Consob, Italy's financial watchdog, has banned Coopers & Lybrand from auditing the accounts of Gemina, the troubled Italian investment company, for three years.

Coopers & Lybrand said it would appeal against the ruling, which followed the discovery last year of heavy losses at RCS, Gemina's media and publishing subsidiary.

The accountancy firm will also appeal against the parallel decision to suspend one of its Italian partners, Mr Renato Bellani, from all audit work for two years. Mr Bellani is the partner responsible for auditing Gemina's accounts.

Coopers & Lybrand's reaction set off a row with rival accountancy firm Arthur Andersen, which audited the accounts of another Gemina subsidiary, over responsibility for spotting the hidden losses.

Consob said the ruling followed its inquiry into Gemina's 1993 accounts, as well as the accounts of Gemina Ratealfactor, a finance subsidiary, and RCS Editori, the publishing arm, for 1992 and 1993. Coopers & Lybrand acted as auditor for all three companies.

Gemina has 45 days to select another auditor for its 1995 accounts.

Gemina, which is controlled by Fiat, Mediobanca and other members of Italy's business establishment, is expected to announce a loss of L468bn ($296m) for 1995, after the L262bn loss the previous year.

The losses were partly caused by bad debts run up by clients of RCS Libri e Grandi Opere, a subsidiary of RCS Editori which sells lavish publications. Its accounts were audited by Arthur Andersen.

Coopers & Lybrand claimed that the Consob ruling was an unacceptable "test case" for a new principle, under which the main auditor of a group "took on the burden of blame for work carried out by others" in auditing subsidiaries' accounts.

The firm said it had relied on Arthur Andersen's audit of the accounts of Libri e Grandi Opere. "The losses taken into account by Consob ... came from sources which were not under the supervision of Coopers & Lybrand," it claimed.

Arthur Andersen said it had acted in good faith in auditing the accounts of Libri e Grandi Opere because it believed that Gemina Ratealfactor had taken on the debt risk from Libri e Grandi Opere in 1991. According to Arthur Andersen, a parallel contract allowed Ratealfactor to offload the risk on to Libri e Grandi Opere. Arthur Andersen, which is also under investigation by Consob, said it was not aware of any such commitment at the time.

The row over responsibility for the losses may only be resolved once Milan magistrates investigate alleged falsification of accounts by directors and former directors of Gemina and RCS.

Madrid dispute, Page 16

Syndicate formed for Hutchison flotation

By Antonia Sharpe in London

Hutchison Telecom (HTUK), the operator of the UK's Orange mobile phone network, came a step closer to flotation yesterday when it was disclosed that a bank syndicate had been formed to underwrite a £2bn ($3.1bn) initial public offering

A flotation of HTUK is expected within the next three months, although Hutchison Whampoa, the Hong Kong-based conglomerate which has a 68.5 per cent holding, and British Aerospace with the remainder, have yet to decide.

A decision is expected this month. Listings are planned in London and on The National Association of Securities Dealers Automated Quotation system (Nasdaq) in New York.

Bankers involved in the preparations said yesterday the syndicate, led by the global co-ordinators Dresdner Kleinwort Benson and Goldman Sachs, would be divided into three regional tranches – UK and Europe, North America and the rest of the world.

They said the coveted senior manager roles in the UK/Europe tranche had been awarded to ABN-Amro Hoare Govett and NatWest. Donaldson, Lufkin & Jenrette; Lehman Brothers and Merrill Lynch won similar positions in the US tranche. HSBC and a few other banks with a strong Asian presence had been appointed to the senior roles in the third tranche.

The bankers said there would be a group of banks with junior positions in each tranche. But it had not been decided whether there would be an offering for retail investors in the UK.

Competition among banks to win a place in the syndicate had been fierce because HTUK is expected to be one of the most attractive offerings in the international equity market this year.

Orange's success in breaking into the UK's mobile phone market has captured the imagination of institutional investors. Last week, Orange, the newest of the UK's four mobile phone operators, surprised its competitors by attracting 50,000 new digital subscribers in December, well ahead of expectations.

HTUK is expected to have a market capitalisation of about £2bn but its owners are unlikely to sell more than 25 per cent of the equity. Analysts will have an opportunity to get more information about the company at a research meeting on January 18.

Granada expected to increase bid for Forte

By David Blackwell, Raymond Snoddy and Scheherazade Daneshkhu in London

Granada, the UK television, catering and leisure company, is expected to raise the value of its hostile bid for Forte, the hotels group, today following a crucial board meeting yesterday afternoon.

The board meeting, which lasted several hours, was faced with a decision to increase the bid or walk away from the deal. Leaving the offer at the existing level would mean almost certain defeat.

The choice was forced on Granada after a highly effective defence campaign by Forte.

Granada's decision to go ahead is expected by many analysts to be accompanied by a dawn raid on Forte shares.

Granada declined to comment, but analysts believe the bid could go as high as 380p a share. Yesterday Forte shares closed at 344p, down 1p.

In November, when Granada launched the bid, it offered four shares plus £23.25 cash for every 15 Forte shares, with a fully underwritten cash alternative of 321.67p

Without a significant increase in the bid it has been becoming increasingly likely that Granada's attack would fail.

Meanwhile, Forte solicitors issued a writ against Mr Henry Staunton, Granada's finance director, over an article in The Times newspaper.

The article reported Mr Staunton as saying that Forte's defence document had been "designed to mislead." Granada is understood to have placed the letter in the hands of Granada's solicitors.

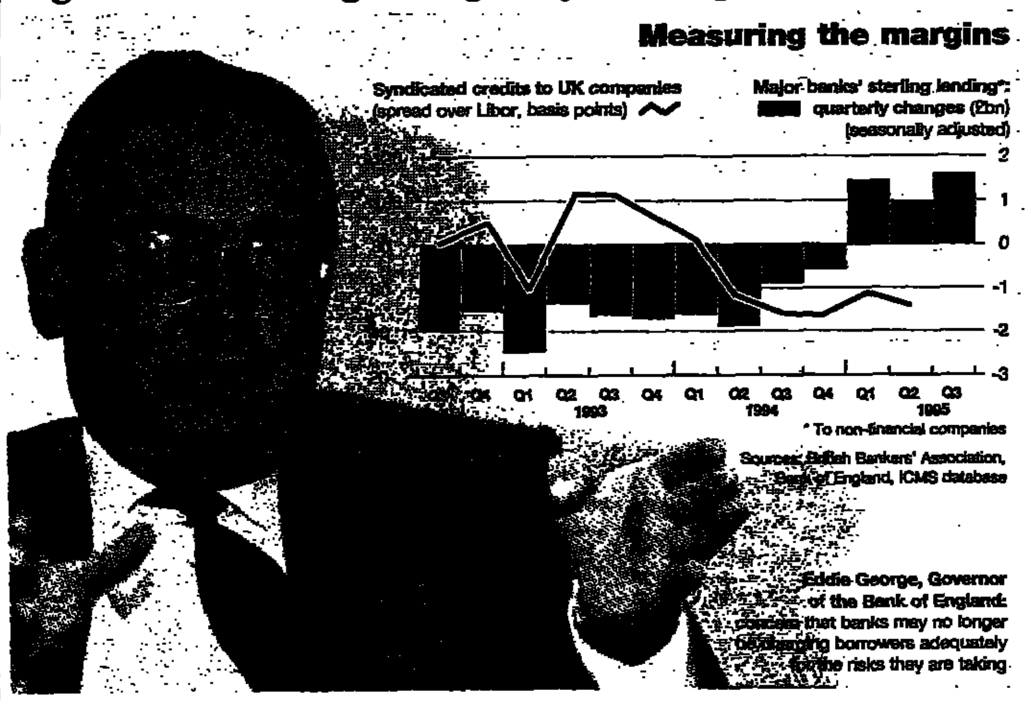
Linklaters & Paines, Forte's solicitors, yesterday sent a letter to Mr Staunton accusing him of "a serious attack upon the integrity and reputation" of the directors. The letter demanded a full retraction and substantial damages, which would be donated to charity.

Granada over the weekend claimed that one of the figures in a report issued last week by Kleinwort Benson, the investment bank, was incorrectly calculated.

Granada believes Forte shareholders opting for the share buyback planned if its bid were to fail would retain 79 shares worth 301p, not the 330p assumed by Kleinwort. The lower value reflects the effect of the planned distribution of Forte's shares in the Savoy Group.

However, Kleinwort is standing by its calculations, which were based on information in the defence document.

Big UK banks are growing wary of meagre loan margins



Eddie George, Governor of the Bank of England: that banks may no longer be charging borrowers adequately for the risks they are taking

Lenders learn to resist urge to run with the lemmings

When customers don't want their product, most businesses pull a long face. But even though companies are still showing weak demand for loans, UK banks are surprisingly unflustered. In fact, despite recovery in the UK economy, they are cutting back the size of their corporate loan books.

Bank lending to UK businesses picked up last year after two years when companies concentrated on paying down bank debts. Nevertheless, growth of about 3 per cent in 1995 barely exceeded the inflation rate.

That has helped several of the bigger British banks, notably Barclays and National Westminster, to stick to their resolution not to rush in over their heads in this economic cycle.

The resolution is reinforced by new techniques for measuring more precisely the overall profitability of each loan. Risk measurement systems, though still imperfect, now allow banks to tie the pricing of a loan to the risk of default in much the same way as actuaries set insurance premiums. And programmes for assessing how much money a bank makes from its entire relationship with each customer mean lending officers can no longer justify loans at unremunerative rates on the grounds that the loan will bring in other business.

"There is much more determination than last time around to select the clients we are supporting at such fine margins. That sort of lending, at margins down in the 20s [basis points above Libor] and even below, just cannot earn an acceptable return on shareholder funds," says Mr Tony Hennessey-Brown of NatWest Markets.

No tears need be shed for the corporate borrower. Weak demand has kept competition for good quality credits intense, and foreign banks have proved willing to take up slack left by big UK banks. Margins on big loan syndications were fine enough last year to raise the eyebrows of Mr Eddie George, governor of the Bank of England. The Bank warned:"Banks may no longer be charging borrowers adequately for the risks they are taking."

But there is still a line of banks willing to be paid as little as 15 basis points above London inter-bank rates and to accept looser conditions in loan covenants.

"Bankers still have this lemming-like quality. They are doing medium term lending at incredibly fine rates: 15 basis points and throw away the covenants. It smacks of the 80s," warns Mr Malcolm Williamson, chief executive of Standard Chartered.

These very narrow margins clearly apply only to bigger companies. The Bank of England warned, however, that there was a risk that tighter margins on lending to high quality borrowers would drag down margins for the less creditworthy. In addition, banks might be tempted to boost interest income by taking on lower quality loans where margins are higher but still do not reflect additional risk.

Weak demand has kept competition for good quality credits intense

Bankers have known for years that they need to earn at least 70 basis points to cover the cost of the capital they are required to commit as a cushion for corporate lending. The capital adequacy rules make no distinction between the capital needed for loans to a blue-chip company and a small business.

But they have argued that it was still worth making loans at very low prices to cement a relationship with a client who might bring in fee-earning business such as treasury management or corporate finance. Pay-offs in other business areas, however, can be difficult to pin down.

"You start from a position of defence, of having to lend in order to get the opportunity to compete for other business," says Mr Hennessey-Brown.

Bankers are becoming more sophisticated about the way they measure the profitability of their client relationships.

NatWest Markets, for example, conducts a client profitability programme, which it shares with customers, to measure whether the money it makes from cross-selling cash management or advisory services makes up for low corporate loan margins.

Some banks are also taking a more mathematical approach to the linkage between the risks of making a loan and the price they receive for it, not just for big corporate customers but right down the scale of borrowers.

Barclays is establishing a risk tendency measurement to calculate the average probability of default on each loan. That allows the bank to make a pre-emptive provision.

"Clearly we have to cover the average rate of loss in the prices we charge. We can actually measure that rate now, whereas before we were going on intuition," says Mr Alan Brown, head of risk management at Barclays.

The average risk for large companies is, in fact, greater than intuition might have suggested, because even though big companies tend to collapse less frequently, when they do, the loss to their creditors is heavier.

If corporate loan demand picks up strongly, banks may find it difficult to enforce their determination not to lend at unprofitably low rates. Branch managers may be reluctant to refuse a loan to their biggest local company, even if head office's statisticians argue that it is not worth the risk.

"One of the problems banks have always had is exercising rapid control over the way they function at the branch level in the corporate market," says Merrill Lynch's Mr Coleman.

George Graham

Nissan to buy parts from Toyota supplier

By Michiyo Nakamoto in Tokyo and John Griffiths in London

Nissan, Japan's second largest carmaker, is to procure parts from a supplier in which its main competitor, Toyota, holds a 22 per cent stake. The deal highlights the gradual loosening of *keiretsu* – family group – business ties in Japanese industry.

Nissan said Aisin Seiki, which is a leading supplier to Toyota, would start shipping brake boosters this spring.

This is the first time Nissan will be supplied directly by a parts manufacturer affiliated to its main competitor. However, Nissan, Toyota and another Japanese vehicle producer, Isuzu, agreed in February to develop jointly and supply each other with casting parts and forging parts for truck engines in Thailand. That deal is aimed at reducing the costs of such parts for a low volume market.

Japanese carmakers have been careful to guard the close *keiretsu* business ties they have had with domestic suppliers. These ties between manufacturer and supplier have frequently been criticised by Japan's trading partners as a non-tariff barrier which keeps competitive foreign companies from expanding their share of Japanese markets.

The latest deal underlines the growing pressures Japanese carmakers face to reduce costs and raise competitiveness in the domestic market.

Nissan said its decision to procure from Aisin was based on quality and price considerations.

The structure of the Japanese vehicle makers' manufacturing activities overseas, particularly in Europe, makes similar collaboration on components more problematical. This is for the simple reason that each "transplant" operation is reliant on a network of about 150-200 fully independent suppliers, such as Lucas Industries, Valeo, Bosch and Unipart. However, it is common for independents to supply components to rival Japanese producers.

EUROPEAN NEWS DIGEST

Lenzing lowers profits estimate

Lenzing, one of the world's largest producers of viscose fibres, has lowered its estimate of 1995 pre-tax profits. It says they will be about the same as the Sch305.1m ($30.2m) earned in 1994. In August, Mr Heinrich Stepniczka, chief executive, said the group would achieve a profit increase in the full year.

Lenzing shares dipped Sch6 to Sch860 on the Vienna stock exchange on the announcement, contained in the group's nine-month statement, but recovered to Sch865 at the close. One Vienna analyst said the news was "no great surprise".

Lenzing, which is in a prolonged patent struggle with rival Courtaulds of the UK over the production of pulp-based lyocell fibres, said retail sales had slowed in Europe and east Asia in the second half, while US markets were stable. Sales in the first nine months were up 13.2 per cent to Sch6.84bn, although the growth mainly reflected the divestment of the lossmaking Glanzstoff filament subsidiary at the end of June, 1994. Fibre prices were raised in Europe and the US but reduced slightly in Asia.

Lenzing said all plants ran at full capacity in the third quarter, and the lossmaking US unit almost broke even. As a result of sharply reduced losses in the US, group earnings per share for 1995 would be "substantially higher" than in 1994. Lenzing said the rejection by a US court in November of its patent on part of the production process of lyocell fibres would have no impact on its ability to produce and market the high-technology fibres worldwide. *Ian Rodger, Zurich*

Former Coopers partners barred

A bitter dispute in Madrid between international auditing firms Coopers & Lybrand and Ernst & Young took a new twist yesterday when six former Coopers partners who had joined the rival firm were barred by a domestic judge from pursuing their professional activities with Ernst & Young for six months. The order followed a civil action filed by Coopers in Madrid on the grounds of unfair competition. The partners, together with 80 Coopers' staffers who reported to them in the firm's consultancy unit, shocked the auditing industry by joining Ernst & Young in a matter of days late last year.

Judge Miguel Maria Rodriguez San Vicente issued the injunction after Coopers paid a Pta50m ($413,155) surety to the court to cover possible indemnity for its former partners, who will be temporarily prevented from practising with Ernst & Young. In a ruling that could break new ground in Spain, the judge agreed to examine Coopers' plea that partnership agreements had been breached by the massive defection to Ernst & Young. Lawyers for the plaintiffs had argued that competition rules had been violated by Ernst & Young's attempt to recruit staff and clients unfairly and that Coopers' business had been damaged as a result.

The dispute is without precedent in the auditing industry. Alleging that the development reflects the "pervading sense that anything goes in Spain" and the cut-throat nature of the competition for the domestic auditing business, senior Coopers' executives in Madrid claim the rival firm mounted a "dawn raid" to take over their consultancy unit. *Tom Burns, Madrid*

Telefónica chief upbeat

Mr Candido Velazquez, chairman of Telefónica de España, the Spanish telecoms group, said the parent company's profits were expected to grow by between 16 and 17 per cent, from Pta91.7bn in 1994. In the nine months to September 30, it posted net profit after minorities of Pta78.1bn, compared with Pta67.8bn a year earlier. Mr Velazquez said the group's mobile telephone business was going well, noting it now had more than 900,000 subscribers. He expected this figure to increase by 50 per cent in 1996. *AFX News, Madrid*

Privatisation index launch

N.M. Rothschild, the UK investment bank, and Privatisation International, a specialist magazine, are launching a global index of privatisation shares to enable investors to follow the stock market performance of privatised companies. The volume of privatisations reached a record high of $73.2bn in 1995. Bankers expect equally buoyant volume this year, with offerings from western and eastern Europe, Latin America and Asia.

The index, which will be weighted by market capitalisation and denominated in dollars, will track performance on a monthly basis. It is currently made up of 175 stocks representing most of the larger privatisations since 1980, but new shares will be added each month as they are listed. The index shows that over the long term, privatisation issues have provided healthy returns for investors. However, over the past two years their performance has been indifferent, which shows why international investors have become wary. They have become most sceptical about the French government's sell-off programme, since most of its most recent privatisation issues have failed to perform. *Antonia Sharpe, London*

Philips cautious on sales

Mr Jan Timmer, Philips Electronics president, said the group achieved sales of more than Fl 64bn ($39.8bn) in 1995, compared with Fl 61bn in 1994. He was speaking at a new year meeting of senior management. Sales in 1995 were badly affected by exchange rate movements, continuing pressure on sales prices and weakness in Europe, he added. *AFX News, Eindhoven*

Metallgesellschaft unit in Asia

Paris Chemetall, a subsidiary of Metallgesellschaft, the German conglomerate, said it had acquired the Asian industrial chemicals business of UK-based Brent International. Financial details were not disclosed. The Singapore-based business, with subsidiaries in Hong Kong and the Philippines, would trade under the name Chemetall Asia Pte, Chemetall said. The activities include metal surface treatment and airline servicing, but would be extended and complemented by additional business from Chemetall. *AFX News, Frankfurt*

Crown chairman warns of job cuts at CMB

By Andrew Jack in Paris

Mr William Avery, chairman of Crown Cork & Seal, the US-based packaging company, yesterday said he aimed to substantially reduce the operating costs of Carnaud Metalbox, the French company with which the US group is merging.

Mr Avery said in an interview he would like to see an initial reduction of 1 per cent a year in the ratio of Carnaud's general costs to turnover, and acknowledged that there were likely to be redundancies.

He said it was unlikely the ratio could be reduced to 3 per cent – Crown's level – but said he would like it to fall from its current 9 per cent to between 5 per cent and 5.5 per cent in the next few years.

His comments came as he launched a "road show" in Paris yesterday, speaking to financial institutions and journalists at the start of three days marketing his group's offer for CMB. He heads to London today and then on to Edinburgh.

The details of the offer, which opened on January 3, come a year after serious negotiations got under way to create what will be the world's largest packaging concern, with estimated turnover for 1995 of more than $10bn.

Investors will have until February 1 to choose between FFr225 in cash for each of their CMB shares, or to receive 1.086 Crown shares for each of their own, three-quarters in common stock and the remainder in four-year maturity preferred stock with a dividend of 4.5 per cent a year. If everyone took the cash option, the deal would cost Crown $13.6bn.

The only shareholder which has already stated it will take shares is CGIP, the French holding company, which will receive three of the 15 board seats, run a new strategy committee and get up to 25 per cent of Crown's equity in exchange for its 32 per cent CMB stake. Mr Avery has said the total board size may yet be expanded, perhaps with an additional European with international experience.

The deal will bring about a number of important changes, including Crown's decision – partly at the demand of CGIP – to offer a cash dividend for the first time in about 40 years. It is estimated to be $1 a share for 1996.

Mr Avery said the merger should provide savings of at least $100m a year – $60m from savings in the purchase of raw materials and the remainder from overhead reductions.

One challenge for the new group will be to cope with its debt – which has risen from $769m in 1991 to $2.23bn for the 12 months to last September, reflecting the fact that the group grew substantially since 1989 through a series of 19 acquisitions largely funded by loans.

He said Crown planned to draw in a substantial amount of the $400m in free cash held by CMB to help reduce its debt, partly in an effort to maintain its credit ratings at their current levels.

Some critics have suggested that Crown may face considerable challenges in aligning a European-centred group with a US one, particularly after the difficulties that arose after the merger between Carnaud of France and Metalbox of the UK in 1989.

However, Mr Avery argued that Mr Jean-Marie Descarpentries, the CMB chairman at the time, "tried to make everyone happy" – a strategy which he says is "just not realistic". But he also played down any real cultural problems following the merger. "A can is a can, whether it's made in the UK, France, the US or Africa."

Mediobanca sets price for 'old' Ferfin shares

By Andrew Hill in Milan

Mediobanca, the Milan merchant bank, yesterday set a price of L1,534 per ordinary share for its obligatory offer for 168m shares in Perruzzi Finanziaria (Ferfin), the Italian holding company.

The bank said the offer would apply only to "old" Ferfin shares and not to the new shares issued in the group's L953bn ($603m) rights issue, which closes later this month.

Mediobanca will have to pay L242bn for the shares, against yesterday's closing price of L1,007, taking its stake in Ferfin from just under 10 per cent to about 15 per cent.

Last night's terse announcement by Mediobanca should put an end to weeks of wrangling between the bank and Consob, the financial markets watchdog. Consob obliged Mediobanca to launch a public offer for shares in Ferfin after it accumulated a 9.95 per cent stake in the holding company in October.

Mediobanca appealed against the ruling but Consob's decision was upheld by two courts. Attention has since centred on whether the offer should apply to all Ferfin shares, or just the shares in issue before the capital increase.

Mediobanca's lawyers were concerned that holders of new Ferfin shares might complain about discrimination if the bank bid only for the old shares.

The bid is part of the messy aftermath of Mediobanca's attempt to forge a merger between Gemina, the investment company controlled by the bank and its allies, and Ferfin, which owns stakes in Montedison, the industrial group, and Fondiaria, the insurer. The merger was shelved after Gemina uncovered unexpectedly heavy losses at its publishing subsidiary.

See Lex

Greek bottler pops into former Soviet Union

Hellenic Bottling Company is expanding its empire yet again, writes **Kerin Hope**

Hellenic Bottling Company, the Coca-Cola franchise-holder for Greece and Bulgaria, after scoring a success in the Balkans, has turned to the former Soviet Union in search of further growth.

As Mr Loukas Komis, HBC's corporate affairs director, points out: "There's some margin for expansion in the Greek market, but the growth area is eastern Europe and the ex-Soviet Union."

HBC is modernising a bottling plant in Armenia to produce Coca-Cola and has acquired a larger share of its parent group's soft drinks bottling operations in Moldova and parts of Romania and Russia.

The company belongs to the Cypriot-owned Leventis group, a leading independent Coca-Cola bottler, with franchises as far apart as Nigeria and Ireland. It has an 80 per cent share of the Greek soft drinks market and also produces fruit juices and mineral water.

Athens-based Leventis, a family-run conglomerate, has proved popular with institutional investors in Greece and abroad since its flotation on the Athens stock exchange in 1991. Its consistent profits growth has made it one of Greece's blue-chip stocks.

HBC increased pre-tax profits in 1994 by 30.2 per cent to Dr25.9bn ($109.7m), and sales rose 20 per cent to Dr140bn, with fruit juice and mineral water accounting for about 18 per cent of turnover.

In October last year it reported consolidated first-half profits up 17.1 per cent to Dr17.1bn, while turnover improved 6 per cent to Dr72.1bn.

HBC results (Dr bn)

	Sales	Pre-tax profit
1990	48.5	5.6
1991	56.8	9.7
1992	69.0	12.8
1993	120.6	18.3
1994	140.0	25.9
1995*	162.0	33.0

* Projected. Source: company

Mr Vassilis Kletsas of Telesis Securities in Athens says: "HBC has a good track record. It's proved it can produce profits in unstructured markets like Bulgaria, so prospects for expanding deeper into eastern Europe look bright."

HBC is the largest foreign investor in Bulgaria, with investments of more than $100m in six soft drinks plants and a joint venture with another Greek company to produce beer. Molino Beverages, also controlled by Leventis, has invested $78m in three new Coca-Cola plants on greenfield sites in Romania, where it has a franchise covering 40 per cent of the population, and is putting another $50m into two new plants in southern Russia.

Following a restructuring last year, HBC lifted its participation from 15 per cent to 30 per cent in Molino, a Luxemburg-based holding company. HBC already owns 75 per cent of Clarina, a similar holding company for the Bulgarian operation.

In Bulgaria, HBC is pursuing the same strategy that hoisted Coca-Cola's share of the Greek cola market from 20 per cent a decade ago to 85 per cent, the highest in southern Europe. To push PepsiCo aside, HBC invested heavily in distribution. It also acquired seven regional bottlers around Greece, including former PepsiCo bottlers on large resort islands such as Corfu and Crete.

HBC opted for vertical integration, acquiring subsidiaries to make coolers for soft drinks and plastic bottles. It is investing Dr16bn in a PET bottle-producing joint venture with Greek and Italian partners.

Though growth has slowed, the Greek soft drinks market is expanding by about 5 per cent a year. But at around 60 litres, per-capita consumption of soft drinks is still below the European yearly average of 75 litres.

With a population of just under 9m, Bulgaria is a slightly smaller market than Greece. HBC began by acquiring majority stakes in five cooperative bottling plants around the country and setting up its own distribution network. It has also invested in a $20m plant to produce Coca-Cola in cans on a greenfield site outside Sofia, and acquired control of 3P, a plastics manufacturer.

The Bulgarian plants moved into profit within six months, Mr Komis says. Last year, profits quadrupled to Lv500m ($6.9m). HBC claims a 40 per cent share of the soft drinks market, with Coca-Cola outselling Pepsi by more than three-to-one.

Yearly per-capita consumption of soft drinks in Bulgaria is now more than 40 litres and is projected to grow by more than 15 per cent annually until the end of the century.

HBC has also diversified into beer-brewing in Bulgaria through a joint venture with Athenian Breweries, the Heineken affiliate in Greece.

The joint venture, Brewinvest, paid $21.7m for an 80 per cent stake in Zagorka, Bulgaria's largest brewery, in a sale arranged through the government's privatisation programme. The Greek companies have agreed to invest $41m in modernising Zagorka and continue making local brands after launching Heineken in Bulgaria.

Mr Komis says: "Beer is a new product for us, but it fits well."

Hugo Boss man fashions strategy for expansion

Chairman Peter Littmann says the menswear group is ready to grow

Mr Peter Littmann is a restless man in a restless business. As chairman of Hugo Boss, the German men's fashion company, for the past three years, he has shifted more production abroad, divided its range between three labels and moved away from the boxy, macho look of the 1980s to looser, more individual styles.

High German costs prompted the production moves, and this has helped profits. In 1994, earnings rose 8 per cent to DM53m ($36.2m) on turnover up only 1 per cent to DM857m. In the first half of 1995, they were 11 per cent higher at DM29m, with turnover up 6 per cent to DM419m.

With the mature domestic market providing less scope for growth, the company has stepped up its foreign drive. "The expansion of Hugo Boss has to come from abroad," Mr Littmann says. But he is now looking beyond increased sales efforts to possible acquisitions.

Mr Littmann, 48, says he intends to raise sales to at least DM1.6bn by around 2000. Acquisitions will form the third leg of his strategy, next to the development of foreign markets, and the widening of the company's appeal through its two new ranges. Alongside its main Boss line, it offers Hugo for young, trend-conscious buyers and Baldessarini for those willing to pay higher prices for elegant clothes.

As yet, there are no concrete acquisition plans, though any move will be within the fashion sector.

The company's balance sheet is strong, says Mr Littmann. "We have an equity ratio [equity as a percentage of total balance sheet] of over 50 per cent and we can sleep well. Our profits are strong, so we want to work with this money." Yet he is aware good buys are hard to come by.

Some analysts agree. Mr Markus Plümer, consumer analyst at WestLB Capital Management, supports Boss's growth strategy, especially its rapid expansion in Asia and increased efforts in the US. But he is cautious about acquisitions. "I don't know who they can buy," he says. He would prefer the company to continue growing through its franchised shops – there are 160 worldwide, with 200 planned by the end of 1996 – and the development of its brands.

As Boss's own experience has shown, acquisitions have their pitfalls. Mr Littmann recognises this. "It's a risk, but sometimes it's also a risk if you do nothing." Boss ran into difficulties when it bought Joseph & Feiss in the US nearly seven years ago.

The US company has since gone through a costly restructuring and is in the black. Its facility in Cleveland, Ohio, is an important part of the group's production network, making clothes for Boss in the US and the subsidiary's own lower-priced labels.

But Hugo Boss, based in the small town of Metzingen in south-west Germany, has not only had to contend with problems across the Atlantic. In 1989, it was jolted when the founder's grandsons, Uwe and Jochen Holy, unexpectedly sold their 63 per cent stake to Leyton House of Japan. They had built up the Boss fashion name, bringing the company to the stock market in 1985.

Marzotto, the privately-owned Italian textile and clothing group, then bought control of Boss in 1991, installing Prague-born Mr Littmann – who fled to Germany just before the Soviets invaded Czechoslovakia in 1968 – as chairman at the start of 1993.

The Boss name has long been familiar to fashion-conscious males. But it was still mainly oriented towards the German market until the arrival of Mr Littmann, previously in the porcelain and carpet industries. "In the past, we were a German company that considered what was right for the German market. When that worked, we also carried it out abroad," he says.

"Now, we work out in which countries we want to be successful and what we have to do to achieve that." Hugo Boss has identified North America, south-east Asia and eastern Europe (it has just opened in Moscow) as the most promising regions, and is pushing hard to build business there. Last year, turnover approached DM900m, with Germany accounting for 38 per cent.

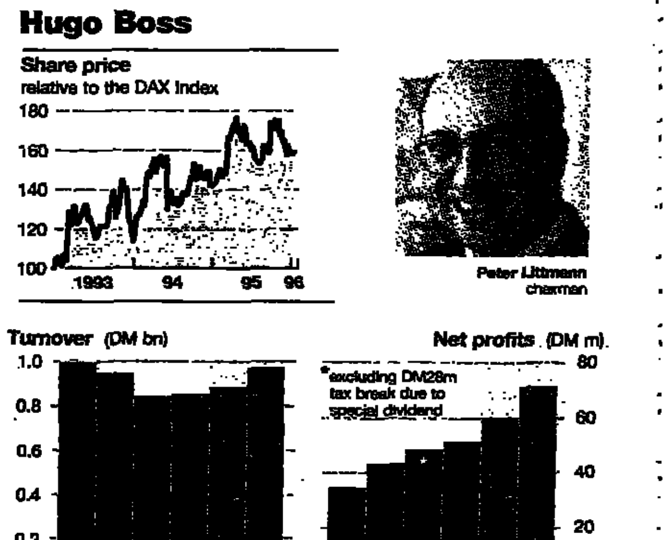
The new labels will double their turnover this year to around DM50m. These should eventually account for some 20 per cent of sales. The introduction of these lines has invigorated the whole Hugo Boss range, Mr Littmann believes. "We are no longer a production-oriented company. Today, we are a company with a strong emphasis on creativity and design, marketing and logistics."

By shifting more production abroad, Boss has improved its cost structure. The cost of producing in eastern Europe – with suppliers in Romania, the Ukraine, Poland and the Czech Republic – is half that in Germany, taking into account wages and other expenses. But German production, currently 20 per cent of the total, will be kept to maintain flexibility and give designers a close link to manufacturing. There are no firm plans to manufacture elsewhere, although the Cleveland site could be expanded as Boss develops its US presence. Sales in North America in the first six months of 1995 were 14 per cent up on the year-ago figure in local currency terms, with the strong D-Mark turning this into a 3 per cent fall to DM83m.

A year ago, the company took an unusual step towards raising its US profile: it became a sponsor of New York's Guggenheim art museum. Since most of Boss's sponsorship goes into sports such as golf, tennis and motor racing, the move into arts was surprising. But, then, the Boss customer of the 1990s is no longer a yuppie. Taste and creativity are the watchwords of the 1990s.

Andrew Fisher

COMPANY PROFILE:
Hugo Boss



Indonesian shoppers prepare to play the credit card

Increasing affluence is encouraging consumers to switch to using plastic, writes Manuela Saragosa

The virtues and vices of credit cards were featured on a Jakarta radio show recently. The programme highlighted the fact that the cards are a new phenomenon for most of Indonesia's 190m people, but that, because of increasing affluence, the credit card industry is on course for rapid expansion.

There were just 1.1m credit cards outstanding in Indonesia in 1994, of which about half were linked to the Visa network. That compares with Japan, for example, where there are more than 110m.

However, Mr Sasongko Sukanto, chairman of Akki, the Credit Card Association of Indonesia, estimates the market will grow by about 30 per cent a year over the next few years as average per capita income rises and Indonesians are encouraged to switch to using plastic.

Nevertheless, card issuers have had a bumpy ride over the past few years. Many banks had their fingers burnt when they jumped on to the credit card bandwagon in the late 1980s, largely through lack of expertise.

Competition, however, is again hotting up, and will be welcomed by Indonesian card users since cash on credit is still very expensive relative to neighbouring markets.

"You have to have an appetite for risk in this market," says Mr Edmond Eger, area head for east Asia personal banking at Standard Chartered in Jakarta, which recently launched a credit card to compete with Citibank's dominant position in the market. Industry executives also point to other problems, such as Indonesia's undeveloped legal system and the absence of a credit bureau for individuals.

"This is a cash-based society. The notion of paying on credit is very new," Mr Eger says. A large part of launching a credit card involves educating the public about how the card should be used. So, not surprisingly, the business of debt collection features prominently in Indonesia.

But such obstacles have not kept credit card issuers away. They have been spurred on by the sight of new luxury shopping malls in the country's main cities and the potential for growth. The majority of credit card holders are young professionals, many of whom still live with their parents, and are members of Indonesia's middle class.

Akki's Mr Sasongko notes that a large number of Unibank's Mastercard holders, like those who subscribe to Bank Internasional Indonesia's Visa card, have a minimum income of about Rp15m ($6,500) a year. He adds that Bank Indonesia, the central bank, estimates 9 per cent of the population earns Rp12m a year which he sees as a lucrative pool of potential customers.

The majority of card holders live in Jakarta. "These are usually corporate employees, they value their jobs and we realised they are less of a risk in this business," says Mr Kim Kok Hai, a technical adviser at Bank Internasional Indonesia.

The risks should not be underestimated. Most of the local banks' credit card businesses do not publish separate profit and loss accounts, but industry executives admit many banks which launched card services in the late 1980s were making losses and have only recently started turning in small profits.

"The main problem was the lack of experienced personnel in the credit card business. People didn't know the nature of the risks they were entering into," says one executive at an Indonesian bank.

Banks now work together to manage that risk and in doing so are forced to break Indonesia's banking secrecy laws. Because there is no credit bureau, banks call each other to check an applicant's credit history. Some banks, such as Unibank, employ third parties to photograph each applicant's house, check the value of his or her belongings and talk to his or her employers.

Mr Sasongko says Akki has approached the central bank about creating a credit bureau, but the idea has only had a lukewarm reception because of sensitivity surrounding banking secrecy in Indonesia.

Tax evasion is common in Indonesia and there are concerns a credit bureau for individuals would prompt a wave of capital flight. In any case, "there are probably bigger priorities for the central bank to address", says Mr Roy Tan Hardy, director of marketing and sales at American Express in Jakarta.

In addition, the lack of legal recourse for bad debts ensures that charges for credit, which range from 3 per cent to 3.5 per cent a month, are among the highest in the region. Those charges will have to come down "as more people start chasing potential card holders," says Mr Eger.

Last year, US$1.8bn was paid by plastic in Indonesia, and Akki estimates about 0.5 per cent of that figure was written off by the industry. Other industry analysts believe the figure is much higher.

Most banks have in-house debt collectors, but many are hiring third parties to do the work. "If you kick some chairs about, of course it helps," says one executive.

The industry's most immediate problem, however, is to establish an institutional framework to cope with the industry's expected rapid growth. "With no institutionalised controls there is concern that bad debt may become a more serious problem," says one executive.

Cash still king – but more shoppers are using credit cards

NEWS DIGEST

Alcoa shares slip as results disappoint

Aluminum Company of America (Alcoa), the world's largest aluminium producer, reported fourth-quarter earnings of $150.9m, or 85 cents a share, up from $67.8m, or 38 cents, in the same 1994 quarter. Cost-cutting and higher aluminium shipments boosted full-year results to the third-best in the group's history. However, Wall Street had expected earnings of $1.06 per share.

The disappointing results depressed Alcoa's shares $3⅝ to $52 a share after the earnings report caused a brief trading halt in the company's stock in New York. For the full year, Alcoa earned $790.5m, or $4.43 a share, up from 1884's $192.9m, or $1.07. Full-year sales were $12.5bn, up from $9.9bn, while fourth-quarter revenues rose to $3.1bn from $2.6bn.

The company said results were dented by aluminium prices which were below last year's highs, and by fact that Alcoa continued to have 450,000 metric tonnes, or 24 per cent, of its smelting capacity idle in 1995. *Laurie Morse, Chicago*

World chip sales surge 40%

World semiconductor sales surged to $155bn in 1995, up 40 per cent over the previous year, according to preliminary data released yesterday. According to Dataquest, the US market research firm, strong growth in sales of Dynamic Random Access Memory (D-Ram) chips contributed heavily to record industry sales growth. Strong demand from the personal computer industry is driving the growth, researchers said.

Chip manufacturers in the Asia/Pacific region, including South Korea and Taiwan, increased sales by more than 90 per cent to $13.7bn in 1995. These companies now account for about 12 per cent of world sales, up from 9 per cent in 1994. The US continues to be the world's largest supplier of semiconductor chips, with 1995 sales of $61.6bn. Japan was close behind with sales of $61.1bn.

Intel, the leading microprocessor manufacturer, maintained its position as the world's largest chip maker for the fourth consecutive year, but stronger growth was seen among D-Ram producers. Samsung of South Korea led large chip makers with 1995 revenue growth of 73 per cent. Only one European company, Philips of the Netherlands, appeared on the top 10 list – in 10th place. The European market grew 45 per cent, breaking the $30bn mark. *Louise Kehoe, San Francisco*

Mitsubishi Electric bullish

Mitsubishi Electric, one of Japan's leading electricity machinery makers, yesterday attributed an upward revision of its parent earnings forecast for this fiscal year to the yen's fall against the dollar, strong sales of semiconductors and mobile communications equipment, and cost cutting. It earlier raised its outlook for parent current profit – before extraordinary items and tax – for the year to March 31 to Y100bn ($958m) from its previous prediction of Y82bn. Last year it posted a current profit of Y63.85bn.

The company said the new forecast was based on the assumption that the dollar would average Y100 in the second half of 1995-96. When Mitsubishi announced its previous earnings forecast, in October, it had expected the dollar to average Y95 in the latter half of this fiscal year. It also lifted its net profit outlook to Y48bn from its previous Y40bn, and its sales forecast to Y2,700bn from Y2,650bn. *Reuter, Tokyo*

French deal for Jacobs

Jacobs Engineering Group of the US is to purchase 49 per cent of the engineering and construction operations of France's Serete Group. The deal ends an extensive search by Jacobs, one of the largest US engineering and construction contractors, for a way to develop its presence in continental Europe. Terms were not disclosed, but are expected to be announced when the transaction closes next week. *Andrew Baxter*

New audit chief at Salomon

Salomon Brothers, the US investment bank, said yesterday that Mr Simon Lorne would become director of internal audit this month. Mr Lorne is general counsel to the Securities and Exchange Commission. Last year, Salomon's parent company reported a loss of $831m before taxes, nearly half of which was related to a charge due to book-keeping errors dating back to the 1980s. Shortly after those disclosures Salomon named a new controller to oversee the back office.

Mr Lorne replaces Mr Kenneth Marshall who became Salomon's chief administrative officer in November. *Lisa Bransten, New York*

CME and CBoT in talks on merger

By Laurie Morse in Chicago

Chicago's two big financial futures exchanges – and long-time rivals – are discussing a merger. Although talks between the chairmen of the Chicago Board of Trade and the Chicago Mercantile Exchange have so far been informal, a special task force report to the CBoT Board of Directors strongly endorsed the merger as a means of cutting costs at both exchanges.

Mr Patrick Arbor, CBoT chairman, said the futures industry was consolidating, with exchange mergers in progress in London and New York. "This is not the highest priority for us, and will be difficult to achieve. However, I like the idea personally, and think it is the right thing to do. In the end, this sort of merger will be cost-driven," he said. CME said: "We at the CME are always willing to examine proposals that will cut costs for our members and users of our markets."

The revival of merger talks between the world's two largest derivatives exchanges comes as both are experiencing volume declines, and are facing further contraction if the US budget is balanced and government debt contracts. Both Chicago exchanges derive more than half their volume, and income, from debt futures and options contracts.

Last year, CBoT volume dropped about 4 per cent, to 210m contracts, while the CME's turnover declined 10 per cent, to 181m contracts.

Mr David Fisher, first vice chairman of the CBoT and head of the task force that made the merger recommendations, acknowledged that past attempts at co-operation between the Chicago exchanges had failed. However, he said he believed the environment had changed.

"We need to approach this as a merger of equals. Our volume business is about the same – that hasn't always been true. We also have a lot of joint members and member firms. On a cost-saving basis, this makes sense."

The CBoT task force determined the merger would save the Chicago futures industry about $32.7m a year in operating costs, and increase revenues by $12.9m. It reported the combined exchanges would have revenues of $336.5m, expenses of about $223.8m, and pre-tax income of $112.7m.

Cemex concludes $430m share swap deal

By Daniel Dombey in Mexico City

Cemex, the fourth-largest cement company in the world, yesterday announced the successful conclusion of a $430m share-swap programme it hopes will unify its operations in Mexico and consolidate it as a multinational.

The company bought 28 per cent of Tolmex, its largest consolidated subsidiary – which accounts for half of its Mexico operations – bringing its control of Tolmex to 99 per cent. Each Tolmex share will be exchanged for 1.36 shares in Cemex.

"We are trying to establish a single, unified share for all of Cemex's international operations," said Mr Gustavo Caballero, Cemex's chief financial officer.

Since Tolmex is a Mexican company and Cemex a multinational with operations in 22 countries, the arrangement increases international exposure for shareholders. Tolmex stock had become undervalued following Cemex's 1992 expansion into Venezuela, in part because of concerns about Tolmex cash flows being used to help other Cemex subsidiaries.

Mr Caballero said the share purchase would save about $30m a year by unifying areas such as distribution and tax returns and help the company's efforts to lower its debt to equity ratio from 51.5 per cent in September last year to a level in the mid-forties by the end of 1996.

However, he said the $150m Cemex had available for capital expansion in 1996 would be spent mainly in new markets, since a combination of recently installed capacity and economic slowdowns had left the company's capacity ahead of demand in its primary markets of Mexico, Spain, Venezuela and the US.

Sales from Mexican operations represented only about 38 per cent of Cemex's total revenues in 1995, and the company expects a similar proportion this year.

However, its international ambitions suffered a setback last month when it gave up an attempt to buy a Colombian producer after that country's government failed to give its approval. Mr Caballero said Cemex would be considering a start-up operation in Colombia this year.

Arnotts managing director quits to 'pursue other interests'

By Bruce Jacques in Sydney

Mr Paul Bourke, managing director of Arnotts, the Australian biscuit group, resigned suddenly and with little explanation yesterday.

The resignation was announced by Mr Duncan McDonald, Arnotts chairman, who said Mr Bourke would "pursue other interests". He named Mr Chris Roberts, an Arnotts director and former wine industry executive, as the new managing director.

Mr McDonald said the appointment of Mr Roberts, formerly chief executive of Orlando Wyndham, a leading Australian wine producer, would give the board "an opportunity to assess the company's directions".

He indicated that Mr Bourke's departure was amicable, but that the board was disappointed with the company's sales in recent months.

Mr McDonald said Arnotts was entering a new era, but would maintain its strategy of strengthening its domestic business while expanding into Asia. But he said the company would intensify its focus on consumer oriented domestic growth.

Mr Bourke, who detailed a strong outlook for Arnotts at the annual meeting last October, said yesterday he believed he had achieved most of his aims in five years running the company.

He said these included an extensive plant reorganisation and successful Asian positioning. Mr Bourke was at the helm during the often acrimonious takeover of Arnotts in 1993 by Campbell Soup, the US food group.

That involved a bid at A$9.50 a share from Campbell compared with Arnotts' recent quotes around A$9 on Australian stock exchanges. Late last year, Campbell lifted its stake in Arnotts to more than 67 per cent, buying a further 1.5 per cent of the capital at A$8.80 a share.

NMH earnings at A$133m for year

By Bruce Jacques

National Mutual Holdings (NMH), the Australian insurer, has reported a net profit of A$133m (US$99m) for the year to December, the group's first result since it agreed to become an offshoot of AXA, the French insurance group.

Mr David Tomlinson, NMH's managing director, said the result was not comparable with the previous year because of the A$1.1bn deal under which AXA took an initial 40 per cent stake in the group, rising to 51 per cent in September next year.

He said the result was the first to be declared under new accounting methods favoured by the Insurance and Superannuation Commission, the industry regulator.

Called the margin on services format, the method divides the profit into separate components due to shareholders and policyholders.

The group declared a profit of A$415m due to policyholders, offset by a loss of A$50m attributable to shareholders.

Mr Tomlinson said A$38m of this loss represented an extraordinary increase in policy liabilities associated with last year's demutualisation which facilitated the AXA buy-in.

Sharp turnround lifts Air Jamaica's world-class aspirations

The Caribbean carrier's expansion plans are hampered by differences between regulatory bodies, writes Canute James

Close to the entrance to Kingston's airport is an Airbus A-310, freshly painted in Air Jamaica's colourful livery. It is the first of 12 Airbuses the airline is acquiring in the next 12 months but the aircraft has been grounded for several weeks.

It has been unable to fly the company's routes into the US because the Federal Aviation Administration has ruled that the local Civil Aviation Department had not met international safety standards.

"The airline itself has met all safety standards, including the FAA's," maintains Mr Gordon Stewart, Air Jamaica chairman. "It is not [our] problem, but it is affecting us."

In addition, aircraft cannot be flown to the US until the Civil Aviation Department is upgraded by the FAA. "It is costing Air Jamaica US$100,000 a day," said Mr David Taylor, president.

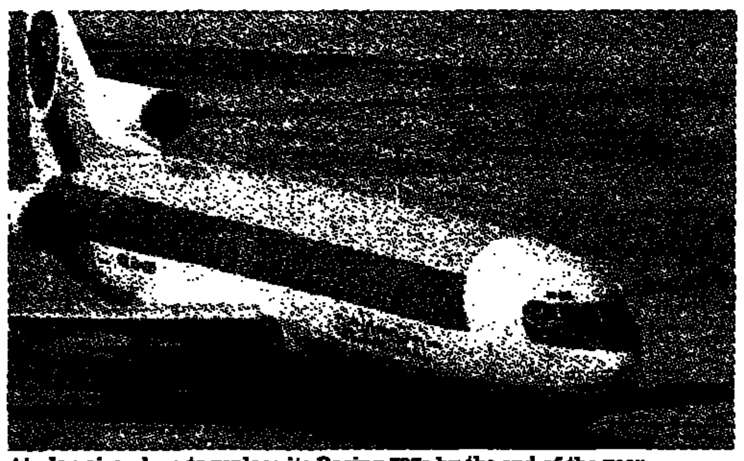
This has put a damper on a company which, until 13 months ago was a debt-ridden, heavily subsidised state entity. A consortium led by Mr Stewart bought a 70 per cent stake from the government, which assumed all the liabilities. The company is now making a profit but has not revealed figures.

The problems between the FAA and the local department will not affect the company's plans for replacing its fleet of Airbus A-300s and Boeing 727s by the end of next year. It will take delivery of six of A-310s by March, all leased from Airbus Industrie, the European consortium.

The company is buying four A-320s, the first of which will be delivered in September, and the rest by the end of 1996. Two more A-320s will be leased.

"The next logical acquisitions for us will be Airbus A-330s," said Mr Taylor.

Air Jamaica flies between the island and Miami, Fort Lauderdale, New York and Atlanta. It opened a new route to Newark, New Jersey, at the end of last year, leasing a Boeing 727 from a US company because it could not use any of its new A-310s. By June it hopes to fly non-stop from Jamaica to Los Angeles, San Francisco, Chicago, Toronto, London Heathrow and Manchester.



Air Jamaica plans to replace its Boeing 727s by the end of the year

"We expect in 1996 to carry 400,000 more passengers than we did this year," said Mr Michael Norton, vice-president for finance. He estimates that the airline flew 1.1m passengers in 1995, compared with 960,000 in 1994.

Such is the extent of the turnround in the company's fortunes that the new fleet is being acquired from its cash flow, Mr Norton said. All aspects of the operation, such as load factors and yields, are improving. "Six to eight months ago it was difficult to get financiers interested in Air Jamaica, now we cannot keep them away," he said.

Much of the change in the company is down to the outspoken Mr Stewart, one of the Caribbean's leading hoteliers. He has aggressively pursued efforts to improve the company's image.

"We had to encourage employees to improve productivity, and this included some of them accepting lower wages in some cases," said Mr Taylor said. "We also had to become more aggressive in the market place, to sell the idea of using the airline to our two main markets – Jamaicans and tourists visiting Jamaica."

In seeking new markets, Air Jamaica has taken a controlling interest in Trans Jamaican Airlines, a domestic carrier which has been divested by the government. Air Jamaica paid about US$1m for a 55 per cent stake, and will rename the carrier Air Jamaica Express. Its fleet will be improved to allow it to fly regional routes in the northern Caribbean.

The FAA's ruling on Jamaica's Civil Aviation's safety rating has angered Mr Stewart. "The irony is that Air Jamaica passed the FAA's tests with flying colours in November." Inevitably, the cost of keeping its new aircraft on the ground will eat into Air Jamaica's profits, even its image.

As well as the fluctuations inherent in the tourist business the airline faces tough competition in the shape of American Airlines on the routes between the US and Jamaica.

Last year Mr Stewart said he was withdrawing an offer to sell the US carrier a stake in Air Jamaica, and remarked: "We do not want any of these people in our board room guiding our policies when we are not too sure what their bigger agenda is."

Despite the problems faced by the airline, and the cost of extending its route network and replacing its fleet, Mr Taylor is confident profitability will not be affected. "We intend to make a world class carrier of this airline," he added. "There is still a lot to do, but we have done much in just one year."

Placing to raise £9.6m to pay for US and European acquisitions

Ellis & Everard gains 24%

By Peter Pearse

Ellis & Everard, the chemicals distributor, lifted interim pre-tax profits by 24 per cent in spite of sharp fluctuations in raw materials prices in the six months to October 31.

The company also announced two acquisitions – one in the US for £4.1m ($6.3m) plus £3.8m of debt and one in Europe for £1.4m.

It is placing 4.18m shares to raise £9.6m.

The shares closed 12p ahead at 287p.

Pre-tax profits showed a bigger-than-expected rise to £13m (£10.5m) on sales up 20 per cent at £292.6m.

Mr Peter Wood, chief executive, said the profits rise was the result of "good logistical and marketing skills" in a period of big price changes. The price of commodity polymers, for example, was £400 a tonne in September 1994. It more than doubled to £900 in May and June, and then returned to £400 by the end of 1995.

Of the increased sales, he said the biggest factor was steeper prices, closely followed by new business and higher volumes. Progress was slightly offset by discontinued business and adverse currency movements.

Mr Wood said that the acquisition of George Mann extended Ellis's existing US network into the north-east, lifting sales to $550m (£357m) – some 60 per cent of the group total – and making the group the US's fifth largest.

Mann distributes caustic soda, chlorine and bleach. These products account for a third of Ellis's US business, though he said the group was trying to reduce that dependence, adding that Ellis was only taking on two of Mann's four sites for environmental reasons.

Group capital expenditure was £5.5m (£6.5m), though this was partly due to delays in environmental regulatory approvals for a new facility.

The European purchase is of Surpbos Chemicals, the exclusive non-bulk distributor of surfactants and phosphates in Benelux countries. Mr Wood said that both acquisitions would be earnings enhancing in the second half.

The interim dividend is lifted 11 per cent to 3p, payable from earnings of 10.4p (8.8p).

Trevor Humphries

Peter Wood, chief executive (l), and Jonathan Taylor, chairman

Demachy and Union in money market venture

By Philip Gawith

Union, the financial services group, and Demachy-Worms, the French private bank, have launched a portfolio of money market funds to provide international cash management services to smaller companies and investors.

The innovative partnership, called the Matrix Fund, will launch an initial six funds – each managed domestically – denominated in dollars, yen, D-Marks, sterling, Swiss francs and French francs.

The funds are aimed mainly at companies, institutions and professional investors with surplus cash which requires management but who lack their own treasury operations.

Management of each fund will be devolved to a local institution: Union for sterling, Demachy for French francs, Oppenheim Asset Management for D-Marks, Pacific Investment Management for dollars, Pictet for Swiss francs and Yamaichi Asset Management (Europe) for yen.

The partnership structure of Matrix allows institutions with predominantly local operations to expand internationally without having to be owned by a larger grouping.

Mr George Blunden, chief executive of Union, said Matrix allowed each institution to offer its clients the sorts of cash management skills, across a range of currencies, which it only enjoyed in its own domestic market.

He said the companies had faced the danger of losing clients if they had appeared too local at a time when their clients needs were becoming increasingly international.

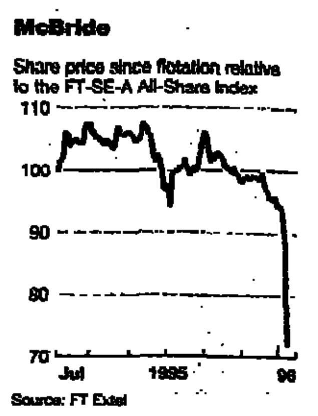
Matrix also forms part of Union's efforts to increase the portion of fee-based earnings, while decreasing that derived from trading, where the firm's capital is put at risk.

Matrix has been awarded an AAAf rating by Standard & Poor's.

LEX COMMENT

McBride

McBride's profits warning is a timely reminder of the risks of investing in flotations, ahead of this year's expected increase in new issues. As Europe's largest producer of own-label detergents, with an annual turnover of over £400m, McBride is no tiddler. As a management buy-out from British Petroleum, it has a decent pedigree. And with 13 plants across Europe, the group enjoys a wide spread of locations as well as products. All this ought to have made it a safe investment. Yet only six months after flotation – when some of the City's best and brightest, including issue sponsor SBC Warburg, crawled all over the company – enough has gone wrong to merit a warning. The news was bad enough to cause analysts to downgrade profit estimates by 30 per cent and to push shares down 20 per cent.



In part, the group has simply been unlucky. The summer heat caused one of its new super-detergents to gum up production lines at a large factory. As a result it had to buy in product to keep customers supplied. This cost about £5m, almost 40 per cent of the profits decline now expected.

However the nub of McBride's dilemma is an inability to increase prices at a time when raw material costs are falling less swiftly than expected. Given its customer base of European supermarkets, whose ability to squeeze suppliers' margins is legendary, that failure should not have surprised McBride's management. Since most of these problems must have been apparent for several months, the group should have come clean earlier.

McBride warning sends shares tumbling 20%

By Patrick Harverson

McBride, the own-label household products group, warned yesterday that higher raw materials prices and factory production problems in the first half of the financial year would "adversely affect" its 1995-96 results.

The profits warning saw shares in the group, which was only floated last July, tumble 37p, or 20 per cent, to 148p, well below their issue price of 188p.

Mr Mike Handley, group managing director, admitted: "It's a disappointment. What we've done is tripped up on the one-off production costs ... and the recovery of margins has been slower than expected."

However, he said sales had remained strong in the first half, with group revenues up 14 per cent.

Analysts cut their forecasts for the year to June 30 from about £34m to £24m. Last year, the group made pro forma pre-tax profits of £32.2m.

McBride explained that although prices of its main plastic, cardboard and chemicals raw materials had peaked in the first half, the slowdown in price increases had arrived later than expected.

It had also experienced difficulty passing on the higher costs to customers, especially in France and Belgium.

As a result, margins would be between half and one percentage point lower for the year as a whole.

McBride said it suffered from unforeseen production problems at two plants in the first half. The introduction of new laundry powders at its Barrow factory caused interruptions to production during the summer, and problems were exacerbated by the extremely hot weather which made the plant unproductive for two weeks.

The group was also forced to buy in stock from elsewhere to ensure its customers were supplied.

At the Middleton plant, the introduction of a washing-up liquid product created bottlenecks and delayed the completion of a £12m factory remodelling.

McBride said the abnormal production costs, the lost margin and other additional expenses incurred at the two plants would cost the group between £4m and £4.5m.

However, Mr Handley said the one-off problems at the two factories had now been solved, partly following the introduction of new line management.

German housing decline causes concern at RMC and Redland

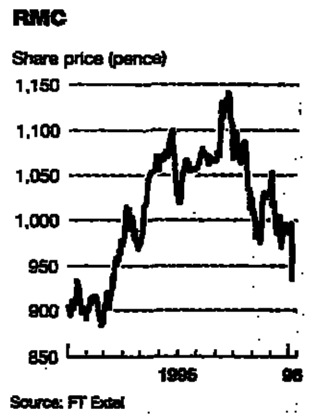
By Andrew Taylor, Construction Correspondent

Share prices of Redland and RMC, two of Britain's biggest building material producers, fell sharply yesterday amid rising concern about falling German sales.

The decline was prompted by a warning from Redland that pre-tax profits had suffered a small fall last year. The company blamed a larger than expected decline in German housing activity, as well as poor UK market conditions.

Redland shares, which had rallied since reaching a low for the year of 326p in September, dipped 7p to 381p. RMC continued its recent slide falling a further 31p to 935p.

Concern about the state of the German construction market has heightened since the country's cement industry warned in December that sales fell by 8 per cent last year. Redland said German sales of concrete roof tiles were 10 per cent lower.



Costs had been cut at Braas, its 51 per cent owned German subsidiary, resulting in £5m of redundancy costs charged against 1995 operating profits.

The group said that British sales of aggregates and downstream products had fallen by 7-13 per cent, while brick sales had fallen by 14 per cent. Concrete roof tile sales were 4 per cent lower. British and German prices had remained generally firm.

Sales in France were modestly lower and had been affected by political uncertainty and recent industrial action.

● Western Mobile, Redland's aggregates subsidiary in Denver, Colorado, has paid $11m (£7.1m) to buy Colony Materials the largest aggregates producer in Santa Fe, New Mexico, selling about 300,000 tonnes of sand and gravel and 80,000 cubic yards of concrete, a year. Colony has annual turnover of $4.6m.

DIGEST

Courtaulds makes £15m sale to UCB

Cellophane, the brand of crinkly transparent film that has wrapped chocolates and cigarette packets since the 1930s, has been sold for £15m ($23m) to UCB, the Belgian chemicals company. Courtaulds, the UK chemicals and fibres company which has owned the company since it was formed in 1935 as British Cellophane, said yesterday "packaging film is not one of our core businesses".

The disposal is the company's second in a month as Courtaulds sells non-core businesses in an effort to cut debt. Last month, it sold Amtico, its luxury vinyl flooring unit, to a management buy-out team for £49m cash. The company has incurred heavy costs in restructuring its coatings division and establishing Tencel, its new fibres brand. Net debt rose from £248m at the end of March 1995 to £367m on September 30.

Daniel Green

Inspirations lifts holiday blues

Inspirations, the USM-quoted package holiday group, reported a 70 per cent increase in pre-tax profits from £4.5m to £7.66m ($12m) in the year to September 30. The shares rose 11p to 119p.

Last year was one of the worst for overseas package holiday sales and tour operators Airtours and First Choice recently reported profit falls.

Mr James Harris, chairman, said the company had not been immune to market forces "but as tour operating is a smaller percentage of our overall business, we have not seen our expectations diminished, only the true potential of the year unrealised".

Inspirations said it had reduced tour operating capacity to protect profitability. Tour operating margins fell 16 per cent in summer 1995.

Scheherazade Daneshkhu

Lower prices hit Williamson Tea

Lower sale prices and adverse currency movements left Williamson Tea Holdings with lower pre-tax profits of £3.16m for the six months to September 30, against £5.27m. The figures excluded the two Tanzanian offshoots sold in the period. A reduction in the India crop, a result of dry conditions in Assam, was offset by an increase in Kenya.

China & Eastern suspended

Shares of China & Eastern Investment Company were suspended yesterday at the company's request on both the London and Hong Kong stock markets, following passage of a motion to wind up the company at an extraordinary meeting on January 5. The company intends to cancel the listings on January 12.

First Hydro raises £400m in bond issue

By Conner Middelmann

First Hydro, the former pump storage business of the National Grid which was acquired in December by Mission Energy, the US utility, has issued £400m ($616m) of 25-year sterling bonds.

According to lead manager BZW, it is the first bond issue in the long sterling market to directly fund an acquisition on a non-recourse basis to the new owner. This means that Mission Energy does not guarantee the bonds, which are secured only by the two power stations First Hydro owns and their revenues.

"The deal represents a growing trend in the international capital markets to fund power assets on a stand-alone basis", a BZW official manager said.

The proceeds of Friday's issue will replace £400m of bank debt put in place at the time of acquisition. Although acquisition financing is more usually obtained in the bank loan market, the capital market represents a new and growing area for this sort of financing.

First Hydro, which does not have a credit rating, is paying a 9 per cent coupon on its bonds, which, at the issue price, represents a yield pick-up over UK government bonds of 115 basis points.

Fyffes plans merger of some interests after purchase of Geest banana side

By John Murray Brown in Dublin

Fyffes, the Dublin-based fruit and vegetable distributor, yesterday indicated how it would restructure the former Geest banana business, which it is buying jointly for £147.5m ($227m).

Fyffes' shareholders yesterday backed the acquisition, made jointly with the Windward Islands Banana Development and Exporting Company (Wibdeco).

Fyffes and Wibdeco are each paying £20m, with the balance made up of bank debt.

Mr Neil McCann, chairman of Fyffes, said the integration would be "a tough job. This company has got plenty of problems and if it didn't have plenty of problems it wouldn't have come up for sale."

He said the former Geest operations would be run at "arms length" from Fyffes, but there would be opportunities for merging the shipping interests and for co-operation in areas such as sourcing and packaging.

The acquired assets included a UK and European banana business handling almost 20m boxes a year, a shipping operation and a 9,400 acre banana plantation in Costa Rica. Fyffes was expected to look for a buyer for Geest's Costa Rican plantation, which analysts said suffered from high production costs.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barr (AG)	Yr to Oct 28	101.2	(88)	4.58♠	(6.65)	15.31	(23.76★)	6.2	Apr 9	5.8	8.2	7.8
Calluna §	6 mths to Sept 30 ✠	1.11	(0.409)	1.58L	(1.05L)	2.9L	(2.6L)	-	-	-	-	-
Ellis & Everard	6 mths to Oct 31	292.6	(242.9)	13	(10.5)	10.4	(8.8)	3	-	2.7	-	8.4
Inspirations §	Yr to Sept 30 ♦	356.2	(210)	7.66	(4.5)	18.36†	(20.81)	2.8	Mar 1	2.24	3.5	2.8
Treatt	Yr to Sept 30 §	28.8	(18.7)	3.54	(2.02)	23.55	(14.12)	3.8	Apr 12	3.4	5.6	4.6
Williamson Tea	6 mths to Sept 30	14.9	(22.5)	3.16	(5.27)	61.01	(104.66)	10	Mar 1	10	-	25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ★Restated. §USM stock. ✠Comparatives pro forma. ♦Comparatives for 9½ months. †On increased capital.

COMMODITIES AND AGRICULTURE

UK faces £14m fine over late farm cheques

By Alison Maitland

The UK agriculture ministry faces financial penalties from Brussels amounting to about £14m because of a delay in paying arable farmers their annual subsidy cheques.

The ministry said yesterday it was also considering paying compensation to farmers who did not receive their cheques by the end-of-year deadline because of computer problems.

Farmers' leaders have demanded interest on the late cheques, which are affecting nearly 8,000 of 46,000 arable farmers claiming aid in England. The payments are due between mid-October and the end of December, but problems with new computer software at the ministry's regional offices meant 17 per cent of cheques had still not been sent out by last year's end-December deadline. In 1994, most had been sent by mid-November.

Financial penalties the government must pay to the European Commission amount to 10 per cent of the value of cheques sent this month, rising to 25 per cent in February.

The ministry expects payments to total £1.1bn, of which £190m could still be awaiting disbursement.

The first 4 per cent of delayed payments is exempt from penalty, leaving 13 per cent subject to the Brussels fines. The ministry could thus face a bill of about £14m if all payments were made this month, and more if some farmers had to wait until February.

Officials expect all but the most complicated claims to have been dealt with by the end of this month.

Sir David Naish, president of the National Farmers' Union, has called on farm minister Mr Douglas Hogg to pay interest on the late cheques. "Maff's failure to make payments in good time undermines our ability to compete, particularly when virtually all French producers received their cheques by the middle of October," he said. Union members have reported that their cash flow and decisions on crop sales have been disrupted.

The Tenant Farmers' Association, which represents over 8,000 producers, said some of its members were paying bank interest on cash they had to borrow to pay their tax bills or rent falling due at the end of December.

Mr John Rennie, director-general, said the ministry should pay farmers 7-8 per cent of the value of their late cheques in compensation.

The ministry said yesterday: "Past practice suggests that we shouldn't pay, but we're considering the matter and will respond as soon as possible".

Labrador nickel find may be even bigger than thought

By Bernard Simon in Toronto

Confidence is growing that the vast Voisey's Bay nickel, copper and cobalt discovery in eastern Labrador is even bigger than previously indicated.

However, plans to bring a mine into production by mid-1998 appear to be slipping, and the start-up is more likely to be in 1999 or 2000.

Mr Cliff Carson, president of Diamond Fields Resources, which controls the deposit, said yesterday that the current target was "a very aggressive time-frame" that had "a good chance of not being met". The Newfoundland and Labrador government has said that approval for the mine will be conditional on construction of a smelter in the province.

Diamond Fields released new geological data that reinforced indications of another large deposit in an area known as the Eastern Deeps, about 1km east of the original Ovoid discovery. According to the company, recent drilling suggests that the Eastern Deeps "is one of the most important orebodies discovered in Canadian history".

The company now estimates that reserves at Voisey's Bay total about 100m tonnes, up from 50m tonnes as recently as mid-1995. A feasibility study, now under way, may consider raising nickel output "well in excess" of the current plan of 133m lb a year, which equals 6 to 7 per cent of 1996 world nickel supplies.

Mr Ray Goldie, analyst at Richardson Greenshields in Toronto, said that the project was "living up to expectations". But he added that further details on grades and costs were needed from the Eastern Deeps and a third area, known as the Western Extension, to evaluate the full significance of the deposit.

Diamond Fields share price climbed by 50 cents to C$27.88 in early trading on the Toronto stock exchange yesterday.

Inco, the western world's biggest nickel producer, bought a 30 per cent stake in the Voisey's Bay deposit last year. Mr Carson said that talks were "on-going" with other potential partners. Several international mining groups have expressed an interest in acquiring an interest in Voisey's Bay, which is expected to be one of the world's lowest cost nickel producers.

Optimism about the potential of Eastern Deeps was heightened by a drillhole, known as number 214, that encountered a densely mineralised area with a thickness of 54.2 metres. However, the grade has yet to be determined.

Diamond Fields said that Eastern Deeps appeared to contain reserves of at least 50m tonnes. The deposit begins at a depth of 630 metres, which would require an underground mine.

The main Ovoid deposit is close to the surface.

However, Mr Carson said that mining costs in the Eastern Deeps were also expected to be relatively low.

Pakistan picks bumper cotton crop

Growers are enjoying a respite from recent severe pest attacks, writes Farhan Bokhari

Signs of recent prosperity are evident near Multan, the city with a reputation of being Pakistan's cotton capital.

At nearby villages, as farmers fill their trollies with raw cotton, to be towed behind tractors to the local cotton market, only one thought is on their minds. At a time when Pakistan is expecting a bumper cotton harvest of up to 10m bales, 28 per cent higher than last year's, many growers are anxious to sell their crop before prices hit a rock bottom. But even at lower prices, the cotton growers hope to make a profit and turn around losses accumulated from three consecutive years in which they suffered crop damages caused by pest attacks.

The cotton news from Multan has been a source of strength for the government in Islamabad, which is under pressure to turn around recent falls in foreign exchange reserves and other troubling economic indicators, such as rising inflation and a widening trade deficit.

A good cotton crop could bring welcome relief.

Almost 60 per cent of Pakistan's export income has usually come from cotton products. Moreover, there have also been reports that up to 2m bales of raw cotton are planned for export in the next few months, which would help to boost foreign exchange reserves.

Mr Abdul Sattar Balagamwala, Chairman of Karachi Cotton Association, the main of cotton exporters' organisation says: "With good cotton, the economic prospects will improve because the 2m bales that we export could get us between US$600m and $700m in foreign exchange".

There are many reasons for the improved crop performance. : "The area where pest tolerant crop varieties have been planted has increased while varieties most susceptible to pest attacks have been eliminated, and some banned," says Mr Zaboor Ahmed, director of Pakistan's largest cotton research institute, at Multan, which has taken the lead in developing and introducing newer varieties where crops are susceptible to pest attacks.

The government also says that the larger crop has resulted from increase of to 14 per cent in the area under cotton cultivation this season. Some experts add that scant rainfall in September, the month when insects could breed prior to causing crop damage, helped to minimise the risk of a large scale pest attack.

Following pest damage to cotton crops around the world in recent seasons, a high profile is being been given to biotechnology at a US conference this week.

Speakers at the five-day Beltwide Cotton Conference, which began yesterday, include entomologists and an executive with the Monsanto chemical group, whose Bollgard gene, which protects cotton plants from insects, will be available to farmers this year. "[Biotechnology] will take something close to centre stage this year," Mr O.A. Cleveland of Mississippi State University, told the Reuters news agency.

Also on the programme are production and price projections and outlook reports from the private sector and government agencies.

Back in the fields, many farmers are excited. Mr Shehzad Sohna at Dhera Badus village says: "Our profits this year have been larger than last year. We now want to plant more cotton for next year. Cotton has been good to us and we have made up for some of our past losses too". Mr Sohna's enthusiasm is shared by hundreds of other farmers who have suffered from previous crop damage.

Still, many critics are concerned about a poor administrative system for the delivery of agricultural inputs such as fertilisers and pesticides, which would make it difficult to protect the crop in the future, should there be a fresh pest attack. One leading farm owner in Multan says: "The windfall has come because god has been kind to us, not because we've been kind to ourselves in improving our agricultural systems".

Last year's pest attack was followed by reports of widespread adulteration of pesticides, which meant that farmers who sprayed their fields still found that their crops came under attack. That experience was followed by the announcement of tough new laws, under which, those convicted of adulteration could be sentenced to up to seven years in jail and fined Rs500,000 ($14,600).

However, in the absence of any significant arrests since then, its not clear if the new laws have adequate teeth. Many analysts say that the government needs to demonstrate that it would arrest and prosecute offenders, even though the system of law enforcement in Pakistan has a reputation of being corrupt.

Mr Ahmed is convinced that "if one or two people are imprisoned, the adulteration will disappear from this country".

Other concerns relate to the rising costs of agricultural production, mainly resulting from increased prices of chemical fertilisers and diesel. Some experts say that the recent devaluation of the Pakistani Rupee is going to hit cotton growers when next season's crop is sown in the summer and that farmers will find fertilisers, diesel and equipment still more expensive by then.

Mr Ahmed also points to the problems caused by poor management of spraying equipment by farmers as a major hindrance to improved performance. "There is a problem of under-dosing," he says. "The farmers do not use the proper dose. There is a problem of bad spray machinery; our spray machinery does not give good droplet size, the pressure of the machine is not perfect and sometimes even the timing of the spray is not perfect".

Despite the risks of growing cotton, there are few signs that farmers are about to change over to any other crop. As Mr Ahmed explains: "The farmer doesn't have a choice. He goes for cotton because if it flourishes, it gives large profits".

US blizzards push up oil prices

By Robert Corzine

Blizzards in the eastern US caused oil prices to rise sharply yesterday, with many traders speculating that a prolonged period of bad weather could underpin short-term prices.

In late London trading the price of the benchmark Brent Blend price for February delivery rose to $19.23 a barrel, up 18 cents from Friday's close and just under the 1995 and 1994 highs of $19.38 and $19.41 respectively.

Many traders thought the price rise was likely to prove temporary, however. "Its a blip," said Mr Peter Gignoux, head of the energy desk at the London office of US brokers Smith Barney. "But it could last throughout the winter if the cold weather continues."

Analysts noted that oil price rises that result from cold snaps or one-off disruptions tend to be temporary. Some said that world oil markets were likely to remain in fundamental over-supply in coming months because of excess production by members of the Organisation of Petroleum Exporting Countries and a continuing rise in non-Opec output, especially from the North Sea.

Petroleum Argus, an industry newsletter, yesterday reported that Opec output in December was more than 25.5m barrels a day, 1m b/d above the group's agreed production ceiling. That was in spite of strong appeals for greater production discipline made at Opec's meeting last November.

Much of the recent volatility in oil prices has been attributed to a rundown in stocks held by US refiners. Many have introduced "just-in-time" stock management systems over the past year as part of cost-reduction programmes.

● The International Energy Agency says structural changes to the economies of six big Middle Eastern oil producers should enable them to finance a "considerable expansion of their oil and gas production capacity" in coming years.

The Paris-based agency, which monitors world energy developments for the western industrialised countries, says the structural changes taking place should also lead to greater foreign investment in the economies of Iran, Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates, which together account for 42 per cent of the world's trade in oil.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1628.5-9.5	1639-40
Previous	1628.5-9.5	1643-4
High/low	1630	1655/1620
AM Official	1629-30	1638-9
Kerb close		1622-3
Open int.	231,598	
Total daily turnover	78,625	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1420-30	1460-65
Previous	1435-40	1470-75
High/low		1470/1450
AM Official	1421-25	1460-5
Kerb close		1460-5
Open int.	5,226	
Total daily turnover	1,920	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	695-6	687-8
Previous	690-2	684.5-5.5
High/low	695/694	687/680
AM Official	694-4.5	686-7
Kerb close		686-7
Open int.	32,606	
Total daily turnover	8,519	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7670-80	7790-800
Previous	7715-25	7830-40
High/low		7920/7770
AM Official	7720-30	7840-45
Kerb close		7790-800
Open int.	39,935	
Total daily turnover	9,764	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6275-85	6295-300
Previous	6290-300	6300-10
High/low		6315/6290
AM Official	6285-95	6300-5
Kerb close		6300-05
Open int.	12,801	
Total daily turnover	4,272	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1010.5-11.5	1034-5
Previous	1009.5-10.5	1032-3
High/low		1040/1033
AM Official	1010.5-11.0	1034-4.5
Kerb close		1036
Open int.	78,641	
Total daily turnover	11,659	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2715-20	2553-55
Previous	2740-45	2555-6
High/low	2717	2559/2544
AM Official	2740-42	2557-8
Kerb close		2551-2
Open int.	168,174	
Total daily turnover	74,941	

■ LME AM Official £/$ rate: 1.5510
LME Closing £/$ rate: 1.5505
Spot: 1.5508 3 mths: 1.5477 6 mths: 1.5438 9 mths: 1.5400

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	124.50	-	124.50	122.00	496	2,404
Feb	120.65	-	120.80	119.10	148	1,201
Mar	117.05	-	117.00	116.65	6,819	23,875
Apr	115.75	-	115.75	114.20	15	698
May	114.15	-	114.30	112.80	458	4,278
Jun	113.20	-	113.50	112.10	17	589
Total					12,633	43,511

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	396.30-396.70		
Opening	395.50-395.90		
Morning fix	396.05	255.089	459.380
Afternoon fix	395.60	255.805	463.323
Day's High	397.00-397.40		
Day's Low	395.30-395.70		
Previous close	395.90-396.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.77	6 months	2.78
2 months	3.76	12 months	2.85
3 months	3.76		

Silver Fix	p/troy oz.	US cts equiv.
Spot	356.40	553.00
3 months	361.70	560.00
6 months	366.60	568.304
1 year	376.75	578.85

Gold Coins	$ price	£ equiv.
Krugerrand	396-399	255-257
Maple Leaf	407.90-410.45	
New Sovereign	91-94	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	395.8	-	397.4	397.4	15	4
Feb	396.5	-	397.7	398.4	48,601	80,167
Apr	398.5	-	399.9	398.0	4,441	20,478
Jun	400.5	-	403.9	399.7	3,806	24,062
Aug	402.4	-	404.5	404.5	97	4,491
Oct	404.3	-	403.5	403.3	14	3,996
Total					61,817	183,144

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	418.2	-	420.0	413.0	187	91
Apr	422.2	-	421.0	423.0	3,994	19,488
Jul	423.9	-	423.5	419.0	22	2,408
Oct	425.6	-	424.5	424.5	36	1,374
Jan	427.2	-	-	408.0	5	54
Total					4,245	21,935

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	134.45	-	134.80	133.50	415	5,549
Jun	135.95	-	135.35	135.25	246	818
Sep	138.45	-	-	-	-	3
Dec	-	-	-	-	-	-
Total					415	8,378

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	550.5	-	-	-	50	58
Mar	555.0	-	560.0	551.5	39,098	53,395
May	559.9	-	568.0	548.5	7,633	10,979
Jul	564.4	-	570.0	560.0	226	7,392
Sep	568.9	-	574.0	565.0	70	6,840
Dec	575.4	-	583.0	570.0	303	5,436
Total					12,188	93,640

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	20.36	-	20.50	20.32	35,701	84,128
Mar	19.86	-	19.81	19.82	25,042	52,442
Apr	19.18	-	19.32	19.28	7,728	33,288
May	18.80	-	18.80	18.91	8,336	23,261
Jun	18.53	-	18.64	18.63	5,643	37,164
Jul	18.32	-	18.35	18.18	7,515	22,576
Total					102,187	377,202

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	19.19	+0.14	19.31	19.19	8,542	51,118
Mar	18.86	+0.15	18.88	18.53	7,340	38,627
Apr	18.04	+0.09	18.15	18.04	1,878	15,684
May	17.70	+0.14	17.75	17.67	1,372	12,720
Jun	17.39	+0.12	17.46	17.36	868	13,577
Jul	17.17	+0.11	17.21	17.17	176	5,965
Total					63,384	151,243

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	50.64	-	52.00	51.00	24,445	58,487
Mar	51.59	-	52.70	57.85	6,465	23,473
Apr	52.84	-	54.30	54.20	2,212	9,014
May	51.39	-	51.30	51.00	499	7,669
Jun	50.19	-	50.10	49.80	426	8,589
Jul	49.89	-	49.80	49.25	169	5,221
Total					34,789	122,981

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	182.50	+3.25	183.50	181.75	10,839	26,738
Feb	177.50	+3.00	178.50	177.25	10,329	30,366
Mar	171.75	+3.00	172.25	171.50	1,555	10,015
Apr	165.25	+2.25	166.25	165.25	1,360	5,965
May	161.75	+1.75	163.00	161.75	635	1,881
Jun	159.75	+1.75	160.00	158.50	79	5,296
Total					23,400	91,517

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	2.816	-	2.970	2.680	15,097	37,851
Mar	2.424	-	2.438	2.340	2,847	25,182
Apr	2.059	-	2.065	2.005	1,971	16,513
May	1.919	-	1.925	1.880	1,715	12,736
Jun	1.859	-	1.870	1.820	996	10,732
Jul	1.824	-	1.830	1.790	231	8,089
Total					25,754	104,251

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	60.48	-	61.40	60.23	13,994	29,573
Mar	58.22	-	58.70	58.15	5,118	12,816
Apr	58.60	-	58.90	58.50	1,150	6,744
May	58.77	-	58.90	58.00	1,034	5,383
Jun	57.87	-	57.80	57.70	83	3,025
Jul	56.97	-	57.15	56.90	146	3,245
Total					22,147	60,609

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	121.35	-1.15	122.00	121.25	69	308
Mar	123.40	-1.20	124.00	123.25	205	2,617
May	125.40	-1.20	126.00	125.25	224	3,406
Jul	127.50	-1.25	128.00	127.75	20	419
Sep	113.40	-1.10	-	-	-	90
Nov	115.00	-1.25	115.75	115.00	49	983
Total					567	7,840

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	483.50	-10.00	490.00	483.00	18,482	52,075
May	460.00	-11.00	468.50	458.50	1,683	9,821
Jul	427.50	-10.25	436.00	427.00	4,256	31,135
Sep	430.00	-9.25	434.00	428.50	472	5,569
Dec	438.50	-8.50	445.00	438.00	921	2,766
Jul	383.00	-3.00	386.00	383.00	8	107
Total					27,897	100,856

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	360.50	-6.00	364.50	360.00	41,963	277,878
May	364.25	-5.50	367.50	363.75	12,596	90,134
Jul	362.25	-5.25	365.25	362.00	11,501	78,959
Sep	311.00	-4.50	314.25	310.50	2,803	19,036
Dec	293.50	-4.25	297.00	293.25	5,988	43,141
Mar	299.00	-4.25	301.75	299.00	83	2,305
Total					85,573	510,026

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	114.25	-1.00	114.50	114.50	10	209
Mar	115.60	-1.05	116.00	115.65	22	868
May	117.00	-1.50	118.00	117.00	12	395
Sep	109.25	-	-	-	-	20
Nov	110.50	-	-	-	-	66
Total					44	1,568

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	727.50	-17.25	738.00	727.00	10,757	8,939
Mar	736.25	-17.75	747.50	735.50	45,863	108,711
May	741.50	-17.75	753.00	741.00	5,838	25,366
Jul	744.25	-16.00	754.00	743.50	5,692	29,907
Aug	739.75	-15.75	748.50	740.00	606	2,208
Sep	717.50	-12.50	724.00	718.00	129	2,274
Total					82,024	207,925

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	24.17	-0.33	24.40	24.15	3,610	3,733
Mar	24.41	-0.38	24.67	24.39	23,151	43,374
May	24.80	-0.39	25.05	24.82	5,213	13,849
Jul	25.18	-0.34	25.40	25.20	3,411	11,474
Aug	25.30	-0.37	25.58	25.40	564	2,578
Sep	25.48	-0.30	25.70	25.58	69	1,110
Total					39,100	84,431

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	231.1	-4.3	234.0	230.5	4,610	5,344
Mar	234.3	-5.0	237.2	233.7	16,272	61,137
May	235.6	-5.0	238.2	235.4	2,191	14,456
Jul	235.4	-5.2	238.2	235.5	2,826	13,513
Aug	233.0	-5.3	236.0	234.5	112	2,204
Sep	227.5	-4.2	228.5	228.0	38	1,833
Total					30,947	102,502

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	200.0	-	-	-	-	-
Apr	225.5	-2.0	233.0	221.0	100	998
May	243.5	-14.5	258.0	258.0	-	9
Jun	325.0	-	-	-	-	-
Total					100	1,029

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1588	-22	1585	1585	90	998
Feb	1563	-32	1555	1540	23	251
Mar	1545	-15	1545	1535	28	227
Apr	1520	-20	1535	1520	23	1,402
Jul	1348	-30	1351	1345	29	670
Oct	1430	-3	1435	1435	-	252
Total					198	3,822

	Close	Prev
BFI	1579	1583

FUTURES DATA
All futures data supplied by CMS.

Spices
The first week in the new year started with much more activity in the pepper market, reports Man Producten. Black pepper prices remained very steady indeed. Most producers disappeared from the market as cheap sellers. In the coming months India will be practically the only supplier of black pepper. This makes the market vulnerable. Black pepper grade 1 was offered at US$2,150 a tonne, CIF. White pepper prices soared rather suddenly in response to fresh demand for sizeable quantities. Supplies in producing countries are very tight. White spot Rotterdam was traded at $3,550 a tonne. We expect to see firmer prices.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	893	-6	901	892	1,788	35,872
May	915	-5	921	914	1,008	15,521
Jul	935	-4	940	935	141	7,994
Sep	952	-6	956	951	289	29,737
Dec	970	-4	976	969	355	8,111
Mar	988	-4	996	990	583	20,944
Total					4,461	124,712

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1262	-	1275	1255	15	37,420
May	1285	-	1296	1280	1,584	17,750
Jul	1309	-	1317	1305	975	6,501
Sep	1330	-	1339	1329	198	9,630
Dec	1359	-	1374	1359	171	8,206
Mar	1388	-	1388	1387	308	5,732
Total					9,973	86,397

■ COCOA (ICCO) (SDR's/tonne)

Jan 5	Price	Prev. day
Daily	918.41	903.22 9

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1855	-30	1894	1860	162	2,072
Mar	1708	-16	1724	1698	797	16,450
May	1600	-15	1610	1590	251	8,199
Jul	1543	-16	1556	1540	38	3,359
Sep	1518	-25	1610	1537	3	1,715
Nov	1505	-31	-	-	-	435
Total					1,261	32,250

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	96.25	-	99.45	95.80	336	18,918
May	95.80	-	99.00	96.50	7	5,623
Jul	95.80	-	99.25	95.75	151	2,011
Sep	95.75	-	98.00	95.75	33	1,309
Dec	95.25	-	98.80	95.00	6	818
Mar	95.25	-	98.50	96.50	4	222
Total					10,862	28,913

■ COFFEE (ICO) (US cents/pound)

Jan 5	Price	Prev. day
Comp. daily	92.55	93.83
15 day average	95.61	96.16

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.90	-	-	-	-	-
May	11.60	+0.41	-	-	-	-
Jul	11.60	+0.41	-	-	-	-
Oct	11.60	+0.41	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	364.5	-0.5	365.7	364.0	981	14,482
May	347.2	-1.1	348.6	346.8	1,026	8,131
Aug	334.6	-2.0	336.8	334.8	382	3,961
Oct	309.8	-2.2	311.8	310.0	128	3,774
Dec	303.6	-1.7	305.0	303.5	94	1,908
Mar	302.3	-1.5	303.0	302.0	59	387
Total					2,845	32,851

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	11.89	-	11.92	11.59	708	87,716
May	11.39	-	11.40	11.18	2,365	27,319
Jul	10.61	-	10.62	10.40	821	17,135
Oct	10.31	-	10.32	10.17	671	18,721
Mar	10.10	-	10.10	9.96	253	11,683
May	9.97	-	9.95	9.85	77	1,712
Total					14,340	166,601

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	83.63	-	83.85	82.90	8,066	25,343
May	83.00	-	83.25	82.40	1,867	10,467
Jul	82.10	-	82.45	81.75	1,747	7,331
Oct	79.50	-	79.50	79.30	360	1,811
Dec	78.00	-	78.00	77.50	1,323	10,229
Mar	78.70	-	78.70	78.60	64	852
Total					13,436	57,888

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	119.30	-	121.70	119.10	266	2,060
Mar	121.60	-	124.25	121.30	1,402	13,924
May	124.15	-	126.90	123.85	287	2,121
Jul	126.40	-	128.20	126.40	147	826
Sep	128.40	-	130.00	128.40	31	1,074
Nov	128.40	-	128.40	128.40	1	324
Total					2,187	21,857

MARKETS CLOSED
8/1/96: CSCE, COMEX, NYCE & NYMEX were closed due to severe weather conditions. Open interest & Volume data shown for contracts traded on CBT & CME are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 8	Jan 5	month ago	year ago
2113.4	2105.5	2136.5	2248.5

■ CRB Futures (Base: 1967=100)

Jan 5	Jan 4	month ago	year ago
245.78	245.49	-	-

■ GSCI Spot (Base: 1970=100)

Jan 5	Jan 4	month ago	year ago
208.89	208.94	193.21	178.38

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	66.275	-0.150	66.750	66.125	5,402	30,880
Apr	66.825	-0.025	66.900	66.550	2,346	17,351
Jun	62.950	-0.075	63.075	62.775	1,584	10,818
Aug	61.925	+0.125	62.025	61.700	740	4,707
Oct	62.900	+0.150	62.950	62.550	393	3,996
Dec	63.175	+0.025	63.200	63.000	107	2,459
Total					10,578	70,325

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	45.775	-0.150	46.025	45.650	3,624	11,426
Apr	46.225	+0.150	46.275	45.850	2,037	7,827
Jun	51.750	+0.200	51.975	51.550	1,349	6,101
Jul	51.675	+0.250	51.725	51.450	656	2,793
Aug	50.450	+0.075	50.650	50.350	236	2,735
Oct	46.350	-0.025	46.500	46.200	74	1,275
Total					8,107	32,904

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	55.025	+0.425	55.350	54.850	1,336	4,300
Mar	55.275	+0.425	55.650	55.150	297	1,050
May	56.150	+0.600	56.550	56.000	145	767
Jul	57.350	+0.550	57.500	57.000	75	593
Aug	55.050	+0.500	55.300	55.050	16	186
Total					1,869	6,896

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	110	137	3	13
1600	36	69	29	43
1700	6	28	98	101
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2500	148	103	12	71
2600	76	58	39	125
2700	31	-	93	-
■ COFFEE LCE	Mar	May	Mar	May
1500	222	-	14	-
1550	182	-	24	-
1600	146	-	38	-
■ COCOA LCE	Mar	May	Mar	May
850	50	77	7	12
875	32	58	14	19
900	19	44	26	29
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1850	77	45	1	41
1900	32	26	12	67
1950	10	15	31	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$17.83-7.88w	+0.125
Brent Blend (dated)	$19.57-9.59	+0.10
Brent Blend (Feb)	$19.17-9.19	+0.20
W.T.I.	N/A	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$179-181	+1
Gas Oil	$185-186	+3
Heavy Fuel Oil	$109-110	+1
Naphtha	$179-181	+3
Jet fuel	$213-215	+3
Diesal	$190-192	+3

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

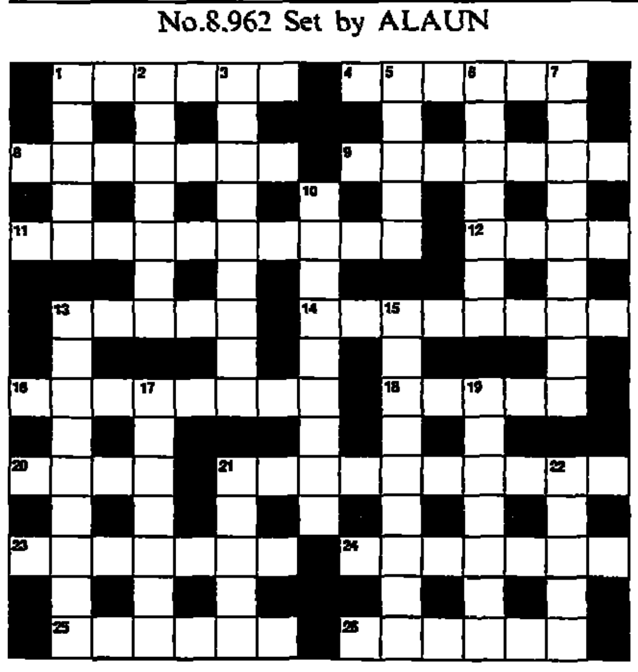
Gold (per troy oz)♣	$396.50	+0.40
Silver (per troy oz)♣	552.5c	+2.0
Platinum (per troy oz.)	$418.00	+0.75
Palladium (per troy oz.)	$130.75	-1.00
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.75m	+0.02
Tin (New York)	298.5c	+1.0
Cattle (live weight)†	120.85p	+0.20*
Sheep (live weight)†♠	118.63p	
Pigs (live weight)†	101.53p	-20.23*
Lon. day sugar (raw)	$318.8	+4.8
Lon. day sugar (wte)	$387.5	+4.6
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	151.0z	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	109.00p	-1.0
Rubber (Mar)♥	109.00p	-1.0
Rubber (KL RSS No1)	414.50m	+3.50
Coconut Oil (Phil)§	$700.0y	+10.0
Palm Oil (Malay.)§	$550.0z	-10.0
Copra (Phil)§	444.0u	
Soyabeans (US)	215.0	
Cotton Outlook'A' index	86.50	
Wooltops (64s Super)	444p	+4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Dec/Jan.♥ w Feb. y Jan/Feb. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,962 Set by ALAUN



ACROSS
1 Sift through material for a puzzle (6)
4 It may be felt that contributes to its purchaser's outlay (6)
8 The letter you find you don't have, I have (7)
9 The only one who's entertaining (7)
11 Showing signs of stress (10)
12 Having a foreign name has one advantage (4)
13 The left inside edge (5)
14 Heard out to the end, moved though inured to it (8)
16 Said again that the country is in the red (8)
18 To order a gin, going back to the bar (5)
20 Not happy with the colour (4)
21 William, who always knew what a cable would cost (10)
23 Forewarn of the sinister aim (7)
24 They entitle one to have visitors (7)
25 In banks, but again drawn out (6)
26 Are kept in the shade when grown (6)

DOWN
1 Reported bad weather as a rule (5)
2 Carrying a gun, did puff up (7)
3 What the tightrope walker does to keep his balance? (5,4)
5 Let you say, for all to hear (5)
6 For the record, a potted biography (7)
7 Will have a try at capturing the soldiers (9)
10 Not knowing - how to mend a fuse? (2,3,4)
13 Gives a character reading and is very frank (6,3)
15 Stop and say "put it back" (9)
17 In which to show thee art perhaps (7)
19 Used it to contribute to the snarling of the traffic? (7)
21 Appear to get a pain when swallowing the cold drink (5)
22 Left at half time, exhausted (5)

Solution to Saturday's prize puzzle on Saturday January 20.
Solution to yesterday's prize puzzle on Monday January 22.

INTERNATIONAL CAPITAL MARKETS

Flood of new issues continues

By Conner Middelmann

Last week's flood of eurobond issuance did not abate yesterday, with another slew of deals, including two Mexican issues and two UK corporate offerings, hitting the screens.

The United States of Mexico returned to the D-Mark sector with DM1bn of seven-year bonds priced to yield 475 basis points over German bunds, some 10 points more than last week's DM1bn of seven-year bonds for Argentina.

Mexico has moved out along the yield curve since last October's five-year D-Mark offering. That has been helped by a more optimistic attitude among international investors towards emerging-market debt, as well as European retail investors' appetite for D-Mark coupons above 10 per cent, said a syndicate official at Deutsche Morgan Grenfell, joint lead with CSFB Effectenbank.

Tobacco company Empresas La Moderna, became the first Mexican corporate to tap the international bond market since the 1994 peso devaluation. The $125m three-year offering, priced to yield 625 basis points over Treasuries, met such strong demand from US and European investors that the spread closed at just below 600 basis points. ING Barings and J.P. Morgan were joint book-runners.

INTERNATIONAL BONDS

The highlight in the dollar sector, however, was a $500m 10-year bond for Glaxo Wellcome, the world's largest pharmaceutical group, via J.P. Morgan and Lehman Brothers.

A Glaxo Wellcome spokesman said: "this is the final leg in the restructuring of the short-term debt acquired at the time of the Wellcome acquisition into long-term debt. There are no current plans for any further major bond issuance."

Last May, Glaxo Wellcome issued $500m of five-year bonds and £500m of 10-year bonds.

The leads reported strong sales to institutional investors in Europe and the Far East, encouraged by the good performance of the previous two deals and the bonds' 48 basis point spread over Treasuries.

BOC Group, the UK chemicals and gases group, tapped the dollar sector for $200m of five-year bonds. Despite the deal's relatively small size, lead manager J.P. Morgan said it saw more institutional than retail buying. The deal also benefited from offering a more generous pick-up over Treasuries than most recent five-year deals, of 37.5 basis points at the re-offer price.

The floating-rate sector, which has been starved of new supply, saw two new deals. Offerings have been sparse in recent months as traditional issuers – banks and financial institutions – are generally flush with cash; indeed, some have bought back outstanding issues. This has caused yield spreads to narrow sharply, providing attractive funding opportunities for borrowers.

But although outstanding Spanish bank FRNs are trading between Libor flat and Libor plus 5 basis points, a $400m five-year offering for Argentaria Global Finance, the funding arm of the third-largest Spanish bank, was widely deemed as tightly priced.

At the 99.83 re-offer price, the discounted margin on the bonds was some 4 basis points over Libor and the spread widened out in later trading to about 7 points. Still, lead manager Deutsche Morgan Grenfell reported good demand from institutions in Europe and Asia.

In sterling, Ford Credit Europe issued £150m of three-year FRNs at a discounted margin of 16.5 basis points over three-month Libor via BZW. The deal saw particularly strong demand among UK financial institutions.

Among others, the dollar sector also saw a $1.05bn bond for the US Student Loan Marketing Association via Yamaichi targeted at Japanese retail investors.

Philips Electronics tapped the French franc sector for FFr1bn of 12-year bonds via Société Générale while Bank Austria issued R250m of one-year paper in the South African rand market via Hambros.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Student Loan Mktg.Assoc.♦	1.05bn	4.50#	97.75	Aug.1999	0.1875	-	Yamaichi Intl.(Europe)
Glaxo Wellcome	500	6.125	99.046R	Jan.2006	0.375R	+48(5⅞%-05)	Lehman/ JP Morgan Secs
Argentaria Global Finance‡	400	(a)	99.83R	Feb.2001	0.15R	-	Deutsche Morgan Grenfell
Toronto Dominion(Gd.Cay.Is)	250	5.26	99.66R	Jul.1998	0.15R	+11(b)	UBS
BOC Group	200	5.875	99.918R	Jan.2001	0.325R	+37(5⅝%-00)	JP Morgan Securities
EBRD(c)‡	200	4.50	100.50	Jan.1997	1.00	-	Nomura International
Christiania Bank(d)‡	150	(b1)	99.80209R	Jan.2006	0.45R	-	PaineWebber International
Mon Bank Co.(e)‡	150	2.50	100.00	Jan.2000	2.25	-	Yamaichi Intl.(Europe)
Empresas La Moderna(f)	125	11.375#	98.64R	Jan.1999	1.375R	+625(5¼%-98)	ING Barings/ JP Morgan
D-MARKS							
United Mexican States	1bn	10.375	99.50R	Jan.2003	1.25R	+485(7¼%-03)	CSFB/ Deutsche MG
LB Rheinland-Pfalz Finance	500	5.375	99.41R	Feb.2002	0.275R	+25(6¾%-01)	Banque Paribas(Deutsch.)
Stadtsparkasse Koln	250	6.00	101.40	Jan.2004	2.375	-	ABN Amro/ Trinkaus
SWISS FRANCS							
Republic of Argentina(g)	750	4.00	101.75	Feb.2006	2.75	-	UBS
STERLING							
Ford Credit Europe‡	150	(f1)	99.833R	Jan.2001	0.15R	-	Barclays de Zoete Wedd
FRENCH FRANCS							
Philips Electronics	1bn	7.125	99.10R	Feb.2008	0.45R	+50(i)	Société Générale
SOUTH AFRICAN RAND							
Bank Austria	250	13.25	100.90	Feb.1997	1.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. ♦With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Callable on coupon dates from Jan.01 at par. b1) 3-mth Libor +30bp to Jan.01 and +110bp thereafter. c) Fixing: 16/1/96. d) Ownership clause. e) Includes SFr250m increase at 101⅝%. f) Callable on coupon dates from Jan.99 at par. f1) 3-mth Libor +12½bp. i) Over interpolated yield. (Long 1st coupon. g) Short 1st coupon.

High-yield bond funds increase in popularity

By Antonia Sharpe

Falling interest rates, economic weakness and controlled inflation increased the popularity of bond-based funds in high-yielding European countries in November, mutual fund data compiled by J.P. Morgan indicate.

Bond funds in Italy and Spain recorded net inflows for the fourth consecutive month, of L356bn and Pta14.6bn respectively, following a trend established in Sweden. In addition, both UK and US bond funds attracted record net subscriptions in November.

By contrast, net redemptions from bond-based funds in France continued, reaching FFr10.7bn, the largest monthly outflow in 1995, despite an improvement in the bond market. Net redemptions from bond-based funds also continued in the Netherlands, where bonds represented 66.1 per cent of total assets in the third quarter, down from 68.9 per cent a year earlier.

In the UK, bond funds took in a record £174.2m in November as hopes of interest rate cuts attracted retail money into UK gilt and fixed-interest funds. International funds took in a record £33.8m (compared with a six-month average of £4.8m), mainly reflecting institutional flows.

In the US, bond funds attracted a record $4.1bn, up almost 10 per cent from October. However, as a percentage of total portfolios, bond assets fell to 38.9 per cent from 44.3 per cent at the start of 1995.

Net subscriptions to UK equities bounced back to £386m in November after declining steadily over the previous four months. Over £60m of institutional money went into UK smaller companies funds, by far the largest inflow since August 1994.

Moroccan privatisation bonds

By Roula Khalaf

After fighting a six-month battle with the ministry of finance, Mr Abderrahmane Saaidi, Morocco's privatisation minister, finally had his way and yesterday began issuing privatisation bonds.

The Dh1.5bn issue, which rivalry between the two ministries had delayed, should inject some vigor into a privatisation process that had become bogged down in bureaucracy. It will also allow the government to raise funds before companies are put up for sale.

The three-year state-guaranteed bonds, issued in Dh1,000 denominations, give investors the choice of converting to shares in forthcoming privatisations on the stock exchange – at which time the yield will be calculated at 8 per cent – or holding them to maturity for an 8.5 per cent yield.

To encourage conversion during privatisations, bondholders will be given priority over other investors. The bonds will be traded on the official market at the Casablanca stock exchange from January 22. The issue closes on January 19.

Morocco has so far sold interests in 23 companies and 18 hotels, with another 53 companies and 19 hotels left on the privatisation list. Seven privatisations were through the stock exchange and investors who bought at the issue price have earned a 32 per cent average annual return.

The privatisation bonds are targeted at individual investors and the ministry of privatisation is hoping to tap into funds outside the banking system. The advertising campaign focuses on Moroccans who leave part of their money under the mattress.

Foreign institutional investors have a small window of participation. At least 70 per cent of the issue is aimed at individual investors, with priority then given to the eight local mutual funds before other institutions.

Non-resident investors will be exempt from withholding tax. Privatisation ministry officials hope the success of the domestic issue will help Mr Saaidi convince the ministry of finance to allow the issue of an international tranche, despite fears that the privatisation bonds will compete with Treasury bonds.

Mr Jalal Houti, a director of Upline Securities, a local brokerage, said yesterday the bonds will not only add a new instrument to the exchange but will force the government to accelerate the privatisation process and offer attractive discounts to investors.

Volumes hit by blizzard in New York

By Lisa Bransten in New York and Richard Lapper in London

US Treasuries were flat in thin trading yesterday as traders were kept at home by the blizzard that paralyzed much of the east coast. And with the markets looking for direction from New York, European volumes were also low.

"Everybody is so dependent on the US for direction and with the US snowed in we were left floundering in tight market ranges," said Mr Stuart Thomson, chief international economist at Nikko Europe.

■ Due to the stormy conditions, the US market closed at noon in New York. At that time the benchmark 30-year Treasury bond was up 1/32 at 111 15/32 to yield 6.038 per cent and the two-year note was unchanged at 100 3/32 to yield 5.182 per cent.

President Bill Clinton was due to meet Congressional leaders after the market closed for another round of negotiations on how to balance the federal budget.

Over the weekend the president announced a budget proposal that, like the Republican plan, would balance the budget in seven years.

GOVERNMENT BONDS

Economists and traders expect the government to resume releasing economic data later this week. No official data has been produced since late December because the government was partially shut amid wrangling over how to balance the budget.

The dollar was also mostly flat against the D-Mark and the Japanese yen yesterday. Near noon it was changing hands for DM1.4392 and Y105.34 compared with DM1.4395 and Y105.25 late on Friday.

■ In Europe, currency factors – the lira strengthened against the D-Mark – helped Italy regain some of the ground it lost on Friday, with its 10-year bonds out-performing Germany and other European markets.

However, with the markets awaiting a parliamentary debate this week on the future of the Italian government, trading was thin.

On Liffe the 10-year March futures contract gained 0.24 to settle at 109.42, while in the cash market the 10-year yield spread over Germany fell by one basis point to 469 points.

■ German markets advanced amid expectations that economic data due later this week will underline a picture of slowing growth and easing inflationary pressures.

On Thursday, German GDP figures are expected to show a decline for the fourth quarter of 0.5 per cent, following a fall of 0.25 per cent in the third quarter. Yesterday, March 10-year bund futures advanced by 0.10, settling on Liffe at 99.61.

■ Gilts were unaffected by figures showing weaker than expected consumer credit data for November. Net lending amounted to £613m and the October figure was revised downwards by £40m. On Liffe the March long gilt future settled at 110 8/32, up 1/32.

Bank of England figures showed that banks were net buyers of gilts in November to the tune of £1.29bn, while overseas investors sold a net £712m, compared with net purchases of £871m in October and £708m in September.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.6200	-0.230	8.14	8.48	8.35
Austria		6.500	11/05	101.3400	-0.020	6.31	6.36	6.71
Belgium		6.500	03/05	99.1500	+0.090	6.62	6.69	6.76
Canada *		8.750	12/05	111.5400	-0.110	7.10	7.08	7.34
Denmark		8.000	03/06	105.9400	+0.020	7.15	7.24	7.42
France	BTAN	7.750	04/00	107.2500	-0.130	5.77	5.90	6.04
	OAT	7.750	10/05	107.8200	+0.010	6.64	6.64	6.90
Germany Bund		6.500	10/05	103.6300	+0.090	5.99	6.03	6.25
Ireland		8.000	08/06	103.7500	-0.050	7.46	7.45	7.82
Italy		10.500	09/05	100.5700	+0.250	10.40†	10.60	11.25
Japan	No 129	6.400	03/00	117.8640	-0.150	1.80	1.67	1.28
	No 174	4.600	09/04	110.8650	-0.050	3.02	2.90	2.66
Netherlands		6.750	11/05	105.6300	+0.050	5.97	6.03	6.28
Portugal		11.875	02/05	112.8800	-0.040	9.67	9.82	10.41
Spain		10.150	01/06	102.1900	-0.090	9.60	9.72	10.29
Sweden		6.000	02/05	85.4990	-0.330	8.34	8.45	8.82
UK Gilts		8.000	12/00	104-12	-1/32	6.93	6.81	7.03
		8.500	12/05	106-31	+3/32	7.49	7.42	7.63
		9.000	10/08	110-28	+2/32	7.65	7.57	7.77
US Treasury *		5.875	11/05	101-14	-	5.68	5.61	5.92
		6.875	08/25	111-15	+8/32	6.04	5.99	6.25
ECU (French Govt)		7.500	04/05	104.0400	-0.020	6.89	6.88	7.15

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Close

		Treasury Bills and Bond Yields			
		One month	5.38	Two year	5.20
Prime rate	8½	Two month	5.19	Three year	5.26
Broker loan rate	7¼	Three month	5.18	Five year	5.42
Fed funds	5¾	Six month	5.21	10-year	5.69
Fed funds at intervention	-	One year	5.19	30-year	6.04

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.84	120.52	-0.08	120.70	120.26	114,262	114,498
Jun	121.06	120.96	-0.04	121.06	120.86	500	5,962
Sep	120.02	119.92	-0.04	120.02	120.02	2	715

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
118	-	2.74	-	-	0.25	-
119	-	2.00	-	0.11	0.46	-
120	0.89	1.28	-	0.32	0.77	-
121	0.28	0.71	1.59	-	1.25	1.63
122	0.08	0.38	-	-	-	-

Est. vol. total, Calls 7,735 Puts 12,280. Previous day's open int., Calls 125,842 Puts 125,567

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.65	99.61	+0.10	99.77	99.48	98372	208049
Jun	99.00	98.93	+0.11	99.00	98.90	1075	2292

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
9950	0.46	0.79	0.68	1.01	0.35	0.68	1.25	1.58
10000	0.22	0.55	0.49	0.81	0.61	0.94	1.56	1.88
10050	0.10	0.36	0.35	0.64	0.89	1.25	1.92	2.21

Est. vol. total, Calls 11116 Puts 13237. Previous day's open int., Calls 164553 Puts 147603

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.40	109.42	+0.24	109.58	109.19	28023	57470
Jun	108.80	108.93	+0.25	108.90	108.80	206	1550

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10900	1.67	2.49	1.25	2.56
10950	1.40	2.26	1.48	2.83
11000	1.15	2.04	1.73	3.11

Est. vol. total, Calls 2132 Puts 2649. Previous day's open int., Calls 49239 Puts 34740

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.50	96.31	+0.03	96.54	96.18	37,315	48,215

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-14	110-08	+0-01	110-14	110-05	24144	132650
Jun	109-20	109-22	+0-01	109-20	109-20	4	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
110	0-54	1-21	1-24	1-61	0-39	1-05	1-44	2-17
111	0-25	0-54	0-63	1-36	1-08	1-38	2-19	2-56
112	0-09	0-32	0-41	1-14	1-57	2-16	2-61	3-34

Est. vol. total, Calls 1874 Puts 1570. Previous day's open int., Calls 18149 Puts 16796

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	90.92	90.88	-	90.92	90.76	763	6,919

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-09	120-15	+0-06	120-24	120-05	535,560	363,012
Jun	120-03	120-03	+0-07	120-09	119-24	1,368	16,745
Sep	-	119-12	-	-	-	50	5,540

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.03			119.14	118.88	1793	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Jan 8	Day's change %	Fri Jan 5	Accrued interest	xd adj. ytd		Low coupon yield Jan 8	Jan 5	Yr. ago	Medium coupon yield Jan 8	Jan 5	Yr. ago	High coupon yield Jan 8	Jan 5	Yr. ago
1 Up to 5 years (22)	122.96	-0.03	123.00	2.14	0.12	5 yrs	6.98	6.97	8.71	7.02	7.00	8.71	7.09	7.06	8.91
2 5-15 years (21)	150.06	-	150.07	2.14	0.00	15 yrs	7.70	7.70	8.58	7.74	7.74	8.72	7.82	7.82	8.93
3 Over 15 years (8)	165.93	+0.05	165.84	1.85	1.02	20 yrs	7.80	7.80	8.54	7.83	7.83	8.72	7.88	7.88	8.87
4 Irredeemables (6)	190.81	-0.17	191.13	1.55	0.00	Irred.†	7.90	7.88	8.62						
5 All stocks (57)	144.67	-	144.67	2.13	0.21										

Index-linked							Inflation 5% Jan 8	Jan 5	Yr. ago	Inflation 10% Jan 8	Jan 5	Yr. ago
6 Up to 5 years (1)	196.97	+0.01	196.94	1.80	0.00	Up to 5 yrs	2.47	2.47	4.15	1.31	1.30	2.93
7 Over 5 years (11)	188.72	-0.07	188.86	0.88	0.00	Over 5 yrs	3.53	3.53	3.89	3.34	3.33	3.70
8 All stocks (12)	188.77	-0.07	188.91	0.90	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 8	Jan 5	Jan 4	Jan 3	Jan 2	Yr ago	High*	Low*
Govt. Secs. (UK)	95.23	95.33	95.84	95.28	95.52	90.79	96.22	90.22
Fixed Interest	114.26	114.34	114.18	114.28	114.62	109.23	115.04	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 5	Jan 4	Jan 3	Jan 2	Dec 29
Gilt Edged bargains	83.8	94.4	76.9	71.7	28.6
5-day average	71.1	63.5	53.6	46.7	47.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 8

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

★ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

CURRENCIES AND MONEY

MARKETS REPORT

Snow and budget talks place freeze on dollar

By Philip Gawith

The severe blizzards on the US East coast and continued uncertainty over the budget process were yesterday sufficient to throw a wet blanket over foreign exchange trading.

With the budget process still unresolved, there was little reason to expect the dollar to break out of the recent fairly narrow ranges against the D-Mark. This tendency was only aggravated by the foul weather in the US which prevented many traders making it to their desks, severely inhibiting activity in the New York markets.

The dollar finished in London at DM1.4403, from DM1.4375. Against the yen, it closed at Y105.28, from Y104.865.

In Europe, the lira benefited from comments by Mr Lamberto Dini, the caretaker prime minister, saying he would not offer his resignation later this week. It finished at L1,095 against the D-Mark, from L1,099.

Sterling had an uneventful day, closing at DM2.2322 against the D-Mark, from DM2.2319, and at $1.5499 against the dollar, from $1.5527.

■ The market remains possessed of a vague optimism about the prospects for the dollar, but the likelihood of any sharp move ahead of a conclusive budget deal is slim.

With the dollar range-bound against the D-Mark, and taking a breather against the yen after last week's sharp move, focus shifted towards the D-Mark/yen cross rate. Yesterday it reached an intra-day high of Y73.3, close to the 1995 peak of Y73.4.

Mr Tony Norfield, UK treasury economist at ABN AMRO in London, said that although the yen's weakening from a peak of Y58.7 in early 1995 appeared dramatic, it was less so when seen against the context of Y88.3 in August 1992.

He pointed out that in terms of technical analysis, Y74 represented a 50 per cent retracement of the downward move from Y88 to Y58.7.

The question now facing markets is whether the D-Mark or the dollar has more upside against the yen. Some light should be shed on this question this week, which sees the release of some key data about the German economy. If, as some expect, the data show the economy to be very weak, this could enhance the recent trend of comparative D-Mark weakness. Many economists believe that an overvalued D-Mark is acting as a serious drag on German growth.

A recent survey of chief dealers by the London based *Foreign Exchange Letter* found them to be optimistic about the dollar's prospects against the yen. Surveyed in mid-December, ahead of last week's sharp move, 66 per cent of the 32 chief dealers approached saw the dollar going above Y105 over the next three months.

■ The rally in the lira is based on the view that if Mr Dini continues in office, this will provide a period of stability which will be good for Italian assets, especially considering the high yields they offer, which in turn should bolster the lira.

Mr Giorgio Radaelli, international economist at Lehman Brothers in London, believes the lira's performance against the D-Mark has become increasingly dependent in recent years on the dollar's performance against the D-Mark. A strong dollar helps the lira, and vice-versa. Lehman expects a stronger dollar for most of the year.

Mr Radaelli cites another three reasons why the lira may perform well. First, on purchasing power parity, or fair value, estimations, he believes the lira is undervalued by around 15 per cent against the D-Mark.

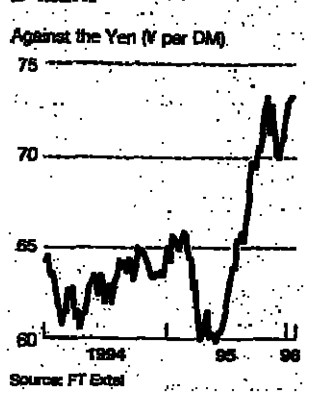
Second, a similar message is conveyed by the sharp turnaround in the Italy-Germany trade balance. Between 1985 and 1992 this posted an average deficit of L6.5 trillion. This balance has swung to a surplus of L6.7 trillion in the last three years.

Third, taking account of relative GDP and price competitiveness variables, the lira exchange rate ought to be about 25 per cent stronger than it is today if current account balance is to be achieved.

Mr Radaelli said history suggested Italy's "ultra-competitive" situation would not endure, with either a jump in inflation, or currency appreciation, eroding the current advantage. He plumps for the latter, saying that a 10 per cent appreciation, or target of L1,000 over the next 18 months, seems a good medium term target.

D-Mark

Against the Yen (Y per DM)



Source: FT Extel

■ Pound in New York

Jan 8	— Latest —	— Prev. close —
£ spot	1.5505	1.5520
1 mth	1.5493	1.5509
3 mth	1.5471	1.5488
1 yr	1.5355	1.5368

■ OTHER CURRENCIES

Jan 8	£	$
Czech Rp	41.3302 - 41.3698	26.6750 - 26.6850
Hungary	211.323 - 211.523	136.390 - 136.440
Iran	4650.90 - 4648.20	3000.00 - 3000.00
Kuwait	0.4636 - 0.4642	0.2992 - 0.2994
Poland	3.8484 - 3.8540	2.4825 - 2.4860
Russia	7244.56 - 7243.45	4673.00 - 4675.00
U.A.E.	5.6908 - 5.6946	3.6729 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Jan 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7020	+0.0019	942 - 097	15.7236	15.6817	15.6585	3.3	15.6145	2.2	-	-	106.6
Belgium	(BFr)	45.8756	+0.0042	313 - 199	45.9530	45.8310	45.7706	2.7	45.5906	2.5	44.8906	2.1	108.9
Denmark	(DKr)	8.6300	-0.0038	247 - 352	8.6465	8.6241	8.6184	1.6	8.601	1.3	8.5426	1.0	109.5
Finland	(FM)	6.7623	+0.0156	565 - 681	6.7800	6.7360	6.7579	0.8	6.7498	0.7	-	-	86.9
France	(FFr)	7.6482	+0.0019	447 - 517	7.6692	7.6216	7.643	0.8	7.6349	0.7	7.5884	0.8	110.4
Germany	(DM)	2.2322	+0.0003	311 - 332	2.2387	2.2296	2.2271	2.8	2.2173	2.7	2.1739	2.6	111.3
Greece	(Dr)	366.152	-0.596	875 - 429	368.957	365.885	-	-	-	-	-	-	66.8
Ireland	(I£)	0.9683	+0.0005	684 - 702	0.9702	0.9682	0.9683	1.2	0.9672	0.9	0.9637	0.6	97.8
Italy	(L)	2443.57	-9.31	185 - 529	2458.78	2440.85	2452.02	-4.1	2468.67	-4.1	2541.52	-4.0	71.8
Luxembourg	(LFr)	45.8756	+0.0042	313 - 199	45.9530	45.8310	45.7706	2.7	45.5906	2.5	44.8906	2.1	108.9
Netherlands	(Fl)	2.4995	+0.0004	983 - 006	2.5036	2.4931	2.4936	2.8	2.4832	2.6	2.4392	2.4	109.0
Norway	(NKr)	9.8439	+0.002	395 - 483	9.9098	9.8008	9.8338	1.2	9.8123	1.3	9.7311	1.1	98.2
Portugal	(Es)	231.935	-0.31	790 - 080	233.938	231.473	232.36	-2.2	233.265	-2.3	-	-	95.6
Spain	(Pta)	187.586	-0.322	446 - 726	188.391	187.440	188.071	-3.1	189.016	-3.0	193.241	-3.0	82.7
Sweden	(SKr)	10.2613	-0.0086	525 - 701	10.2874	10.2359	10.2632	-0.2	10.2666	-0.2	10.282	-0.2	87.5
Switzerland	(SFr)	1.8028	+0.003	016 - 039	1.8057	1.8006	1.7955	4.9	1.7819	4.6	1.7239	4.4	115.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.4
Ecu	-	1.2052	-0.0032	045 - 059	1.2091	1.2034	1.2041	1.1	1.202	1.1	1.1939	0.9	-
SDR†	-	1.04836	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5496	-0.0024	491 - 501	1.5523	1.5479	-	-	-	-	-	-	-
Brazil	(R$)	1.5065	-0.0028	060 - 070	1.5085	1.5047	-	-	-	-	-	-	-
Canada	(C$)	2.1091	+0.0014	081 - 101	2.1106	2.1027	2.1078	0.7	2.1048	0.8	2.0973	0.6	84.2
Mexico	(New Peso)	11.6937	-0.0603	670 - 203	11.7389	11.6655	-	-	-	-	-	-	-
USA	($)	1.5499	-0.0028	494 - 503	1.5525	1.5479	1.5487	0.9	1.5467	0.8	1.5351	1.0	94.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0749	-0.0106	736 - 762	2.0846	2.0709	2.0764	-0.9	2.0802	-1.0	2.0967	-1.1	86.8
Hong Kong	(HK$)	11.9855	-0.0239	812 - 897	12.0055	11.9722	11.9784	0.7	11.9703	0.5	11.9438	0.3	-
India	(Rs)	55.4847	+0.488	911 - 783	55.5820	54.7650	-	-	-	-	-	-	-
Israel	(Shk)	4.8641	+0.0079	586 - 695	4.8696	4.8041	-	-	-	-	-	-	-
Japan	(Y)	163.168	+0.344	059 - 278	163.860	163.040	162.333	6.1	160.828	5.7	154.488	5.3	137.0
Malaysia	(M$)	3.9645	+0.002	626 - 664	3.9669	3.9538	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3517	-0.0125	497 - 536	2.3593	2.3392	2.3546	-1.5	2.3617	-1.7	2.3858	-1.5	102.9
Philippines	(Peso)	40.6836	-0.0262	943 - 729	40.7748	40.5755	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8126	-0.011	106 - 146	5.8223	5.8057	-	-	-	-	-	-	-
Singapore	(S$)	2.2093	-0.0002	079 - 107	2.2113	2.2042	-	-	-	-	-	-	-
South Africa	(R)	5.6318	-0.0027	290 - 346	5.6368	5.6187	-	-	-	-	-	-	-
South Korea	(Won)	1221.59	-2.25	108 - 210	1226.74	1220.13	-	-	-	-	-	-	-
Taiwan	(T$)	42.4218	+0.0036	040 - 395	42.4888	42.3072	-	-	-	-	-	-	-
Thailand	(Bt)	39.1493	-0.037	224 - 761	39.2080	39.1150	-	-	-	-	-	-	-

† Rates for Jan 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.1313	+0.0198	292 - 333	10.1440	10.1140	10.1158	1.8	10.0898	1.6	9.9863	1.4	106.5
Belgium	(BFr)	29.6000	+0.057	800 - 200	29.6700	29.5650	29.548	2.1	29.46	1.9	29.155	1.5	108.5
Denmark	(DKr)	5.5683	+0.0078	665 - 700	5.5874	5.5629	5.5645	0.8	5.5583	0.7	5.5758	-0.1	108.8
Finland	(FM)	4.3632	+0.0181	607 - 657	4.3756	4.3430	4.3582	1.4	4.3485	1.3	4.3207	1.0	85.1
France	(FFr)	4.9348	+0.0103	340 - 356	4.9485	4.9290	4.938	-0.8	4.9424	-0.6	4.9188	0.3	110.2
Germany	(DM)	1.4403	+0.0028	400 - 405	1.4450	1.4378	1.4381	1.8	1.4337	1.8	1.416	1.7	110.6
Greece	(Dr)	236.250	+0.05	140 - 360	237.960	235.740	237.975	-8.8	241.175	-8.3	254.65	-7.8	66.3
Ireland	(I£)	1.5990	-0.0037	980 - 000	1.6022	1.5970	1.5995	-0.3	1.5999	-0.2	1.596	0.2	-
Italy	(L)	1576.65	-3.1	600 - 730	1586.05	1575.15	1583.5	-5.2	1595.55	-4.8	1653.65	-4.9	71.0
Luxembourg	(LFr)	29.6000	+0.057	800 - 200	29.6700	29.5650	29.548	2.1	29.46	1.9	29.155	1.5	108.5
Netherlands	(Fl)	1.6127	+0.0032	124 - 130	1.6171	1.6077	1.6098	2.2	1.6043	2.1	1.5844	1.8	108.4
Norway	(NKr)	6.3515	+0.0129	505 - 525	6.3955	6.3186	6.3492	0.4	6.341	0.7	6.324	0.4	97.3
Portugal	(Es)	149.650	+0.075	600 - 700	150.900	149.450	150.025	-3.0	150.795	-3.1	154.4	-3.2	95.1
Spain	(Pta)	121.035	+0.015	980 - 090	121.530	120.950	121.43	-3.9	122.165	-3.7	125.655	-3.8	82.3
Sweden	(SKr)	6.6209	+0.0067	171 - 246	6.6432	6.6043	6.638	-3.1	6.6674	-2.8	6.8049	-2.8	86.9
Switzerland	(SFr)	1.1632	+0.0041	628 - 636	1.1650	1.1602	1.1598	3.7	1.1529	3.5	1.1245	3.3	115.2
UK	(£)	1.5499	-0.0028	494 - 503	1.5525	1.5479	1.5487	0.9	1.5467	0.8	1.5351	1.0	83.0
Ecu	-	1.2860	+0.001	856 - 863	1.2896	1.2810	1.2863	-0.3	1.2867	-0.2	1.2873	-0.1	-
SDR†	-	0.67789	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9721	-	720 - 721	0.9722	0.9720	-	-	-	-	-	-	-
Canada	(C$)	1.3609	+0.0034	606 - 611	1.3611	1.3580	1.3611	-0.1	1.3612	-0.1	1.3662	-0.4	83.6
Mexico	(New Peso)	7.5450	-0.025	300 - 600	7.5600	7.5300	7.5473	-0.4	7.5504	-0.3	7.5553	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3387	-0.0043	383 - 392	1.3427	1.3379	1.3407	-1.8	1.3442	-1.6	1.3629	-1.8	87.8
Hong Kong	(HK$)	7.7333	-0.0012	328 - 338	7.7342	7.7327	7.734	-0.1	7.7358	-0.1	7.7628	-0.4	-
India	(Rs)	35.8000	+0.38	500 - 500	35.8500	35.3800	35.95	-5.0	36.255	-5.1	37.725	-5.4	-
Israel	(Shk)	3.1384	+0.0108	358 - 410	3.1410	3.0982	-	-	-	-	-	-	-
Japan	(Y)	105.280	+0.415	240 - 320	105.750	105.160	104.815	5.3	103.955	5.0	100.525	4.5	137.5
Malaysia	(M$)	2.5580	+0.006	575 - 585	2.5590	2.5543	2.5589	-0.4	2.565	-1.1	2.5885	-1.2	-
New Zealand	(NZ$)	1.5172	-0.0053	165 - 181	1.5197	1.5159	1.5203	-2.5	1.5261	-2.3	1.5507	-2.2	-
Philippines	(Peso)	26.2500	+0.03	000 - 000	26.3000	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0002	502 - 506	3.7507	3.7502	3.7508	-0.1	3.7515	-0.1	3.7549	-0.1	-
Singapore	(S$)	1.4255	+0.0025	250 - 260	1.4268	1.4237	1.422	3.0	1.416	2.7	1.3905	2.5	-
South Africa	(R)	3.6338	+0.005	330 - 345	3.6345	3.6290	3.6618	-9.2	3.7128	-8.7	3.9548	-8.8	-
South Korea	(Won)	788.200	-	100 - 300	791.700	787.700	791.2	-4.6	794.7	-3.3	813.2	-3.2	-
Taiwan	(T$)	27.3715	+0.0525	680 - 750	27.3810	27.3300	27.3915	-0.9	27.4315	-0.9	-	-	-
Thailand	(Bt)	25.2600	+0.0225	500 - 700	25.2730	25.2500	25.3588	-4.7	25.5625	-4.8	26.445	-4.7	-

† SDR rate per $ for Jan 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 5: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¾	3¾	3¾	3½	3½	7.00	3.00	-
week ago	3¾	3¾	3¾	3¾	3¾	7.00	3.00	-
France	4½	4½	4¾	4½	4½	4.45	-	5.85
week ago	4¾	4½	4½	4½	4½	4.45	-	5.85
Germany	3½	3½	3½	3½	3½	5.00	3.00	3.75
week ago	3½	3½	3½	3½	3½	5.00	3.00	3.75
Ireland	5½	5½	5½	5½	5½	-	-	6.25
week ago	5½	5½	5½	5½	5½	-	-	6.25
Italy	10½	10½	10½	10½	10	-	9.00	10.48
week ago	10½	10¾	10¾	10½	10½	-	9.00	10.50
Netherlands	3½	3½	3½	3½	3½	-	3.00	3.40
week ago	3½	3½	3½	3½	3½	-	3.00	3.40
Switzerland	2	1½	1¾	1½	1½	5.00	1.50	-
week ago	1¾	1½	1¾	1½	1½	5.00	1.50	-
US	5½	5½	5½	5½	5½	-	5.25	-
week ago	5½	5½	5½	5½	5½	-	5.25	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¾	5½	5½	5½	-	-	-
week ago	-	5¾	5½	5½	5½	-	-	-
US Dollar CDs	-	5.38	5.30	5.25	5.14	-	-	-
week ago	-	5.38	5.26	5.25	5.20	-	-	-
ECU Linked Ds	-	5½	5	5	4½	-	-	-
week ago	-	5½	5½	5½	5½	-	-	-
SDR Linked Ds	-	3½	3½	3½	3½	-	-	-
week ago	-	3½	3½	3½	3½	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3⅝	3¾ - 3⅝	3½ - 3½	3½ - 3½	3¾ - 3⅝	3¾ - 3⅝
Danish Krone	4½ - 4¼	4½ - 4½	4½ - 4½	4½ - 4½	4⅝ - 4½	4¾ - 4½
D-Mark	3⅞ - 3¾	3½ - 3½	3⅞ - 3¾	3¾ - 3⅝	3⅝ - 3½	3⅝ - 3½
Dutch Guilder	3½ - 3½	3½ - 3½	3½ - 3½	3½ - 3½	3½ - 3⅜	3½ - 3½
French Franc	4⅞ - 4⅝	4¾ - 4⅝	5 - 4½	5½ - 4½	5½ - 4½	5½ - 4½
Portuguese Esc.	8⅜ - 8⅛	8½ - 8½	8½ - 8⅝	8¾ - 8⅝	8¾ - 8⅝	8¾ - 8⅝
Spanish Peseta	9½ - 8⅛	9¼ - 9⅛	9½ - 9½	9½ - 8½	8⅞ - 8¾	8½ - 8½
Sterling	6⅝ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½	6½ - 6½
Swiss Franc	2¼ - 2	2½ - 1½	1½ - 1½	1½ - 1½	1½ - 1½	1¾ - 1⅝
Can. Dollar	5⅝ - 5½	5½ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½
US Dollar	5½ - 5¾	5⅝ - 5⅜	5⅝ - 5½	5⅝ - 5½	5½ - 5¼	5⅜ - 5⅛
Italian Lira	10½ - 10½	10½ - 10⅜	10½ - 10½	10½ - 10¼	10¼ - 10½	10 - 9⅞
Yen	½ - ½	½ - ½	½ - ½	⅝ - ½	½ - ½	¾ - ½
Asian $Sing	2⅞ - 2¾	2½ - 2½	2¾ - 2⅝	2¾ - 2⅝	2¾ - 2⅝	2½ - 2½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.00	94.88	-0.14	95.03	94.77	55,840	52,305
Jun	95.22	95.16	-0.08	95.25	95.09	9,887	44,918
Sep	95.31	95.27	-0.06	95.34	95.21	5,620	33,316

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.45	96.43	-0.02	96.46	96.43	11158	187558
Jun	96.56	96.55	-0.01	96.58	96.54	9393	141806
Sep	96.55	96.54	-	96.56	96.53	9756	120108
Dec	96.44	96.39	-0.01	96.44	96.38	8363	117776

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.22	90.20	+0.01	90.23	90.16	5506	45846
Jun	90.63	90.60	-	90.63	90.57	1888	25487
Sep	90.78	90.79	+0.03	90.81	90.76	920	14215
Dec	90.76	90.81	+0.04	90.85	90.76	623	6981

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.27	98.25	-0.02	98.27	98.24	2328	23101
Jun	98.32	98.31	-0.02	98.33	98.30	1971	14971
Sep	98.27	98.25	-0.03	98.27	98.25	578	7036
Dec	98.05	98.05	-0.03	98.06	98.05	233	1189

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.07	95.04	-0.04	95.07	95.03	885	7302
Jun	95.17	95.18	-0.01	95.17	95.17	35	4729
Sep	95.21	95.19	-0.02	95.21	95.19	47	2447
Dec	95.10	95.10	-0.01	95.10	95.10	55	1837

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9000	0.39	0.79	1.10	0.19	0.19	0.31
9025	0.25	0.62	0.92	0.30	0.27	0.38
9050	0.13	0.47	0.76	0.43	0.37	0.47

Est. vol. total, Calls 300 Puts 625. Previous day's open int., Calls 10041 Puts 4805

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.81	16.67	4.865	2.112	5327	5.447	21.46	505.4	408.9	22.36	3.930	2.180	4.597	3.378	355.7	2.626
Denmark	(DKr)	53.16	10	8.862	2.586	1.123	2832	2.896	11.41	268.7	217.4	11.89	2.089	1.159	2.444	1.796	189.1	1.396
France	(FFr)	59.99	11.28	10	2.918	1.267	3196	3.268	12.87	303.2	245.3	13.42	2.357	1.308	2.758	2.027	213.4	1.576
Germany	(DM)	20.56	3.866	3.427	1	0.434	1095	1.120	4.410	103.9	84.05	4.597	0.808	0.448	0.945	0.694	73.12	0.540
Ireland	(I£)	47.35	8.906	7.893	2.303	1	2522	2.579	10.16	239.3	193.6	10.59	1.861	1.032	2.176	1.600	168.4	1.244
Italy	(L)	1.877	0.353	0.313	0.091	0.040	100.	0.102	0.403	9.489	7.676	0.420	0.074	0.041	0.086	0.063	6.678	0.049
Netherlands	(Fl)	18.36	3.453	3.060	0.893	0.388	978.0	1	3.939	92.80	75.07	4.106	0.721	0.400	0.844	0.620	65.31	0.482
Norway	(NKr)	46.61	8.767	7.769	2.267	0.984	2483	2.539	10	235.6	190.6	10.42	1.832	1.016	2.142	1.575	165.8	1.224
Portugal	(Es)	19.78	3.721	3.298	0.962	0.418	1054	1.078	4.245	100.	80.90	4.424	0.777	0.431	0.909	0.668	70.38	0.520
Spain	(Pta)	24.46	4.600	4.077	1.190	0.517	1303	1.332	5.247	123.6	100.	5.469	0.961	0.533	1.124	0.826	86.99	0.642
Sweden	(SKr)	44.72	8.411	7.454	2.175	0.944	2382	2.436	9.595	226.0	182.8	10	1.757	0.975	2.056	1.511	159.1	1.174
Switzerland	(SFr)	25.45	4.786	4.242	1.238	0.537	1356	1.386	5.460	128.6	104.0	5.691	1	0.555	1.170	0.860	90.52	0.668
UK	(£)	45.88	8.630	7.648	2.232	0.969	2444	2.499	9.844	231.9	187.6	10.26	1.803	1	2.109	1.550	163.2	1.205
Canada	(C$)	21.75	4.092	3.626	1.058	0.459	1159	1.185	4.668	110.0	88.95	4.865	0.855	0.474	1	0.735	77.38	0.571
US	($)	29.60	5.568	4.934	1.440	0.625	1577	1.612	6.351	149.6	121.0	6.619	1.163	0.645	1.361	1	105.3	0.777
Japan	(Y)	28.11	5.286	4.686	1.368	0.594	1498	1.531	6.032	142.1	115.0	6.287	1.105	0.613	1.292	0.950	100.	0.738
Ecu		38.07	7.162	6.347	1.852	0.804	2028	2.074	8.169	192.4	155.7	8.515	1.496	0.830	1.750	1.286	135.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6957	0.6960	-0.0011	0.6977	0.6941	30,863	56,406
Jun	-	0.6993	-0.0008	0.7004	0.6990	403	4,117
Sep	-	0.7025	-0.0005	-	0.7025	15	1,272

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8658	0.8647	-0.0029	0.8684	0.8642	14,481	38,252
Jun	0.8737	0.8725	-0.0025	0.8737	0.8720	146	1,056
Sep	-	0.8800	-0.0023	-	0.8800	2	92

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9569	0.9578	-0.0011	0.9605	0.9555	32,781	75,193
Jun	0.9700	0.9697	-0.0019	0.9700	0.9677	2,613	2,635
Sep	-	0.9810	-0.0007	-	0.9810	37	348

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5474	1.5472	-0.0030	1.5486	1.5452	9,694	35,224
Jun	-	1.5430	-0.0036	-	1.5430	2	39
Sep	-	1.5400	-0.0026	-	1.5400	1	5

UK INTEREST RATES

LONDON MONEY RATES

Jan 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps.	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6½ per cent from December 13, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount [illegible]pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 26, 1996 to Feb 25, 1996, Scheme II & III [illegible]pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V [illegible]pc. Finance House Base Rate 7pc from January 1, 1995.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.71	93.68	-0.02	93.71	93.67	12295	91183
Jun	93.81	93.79	-0.01	93.81	93.77	8175	59283
Sep	93.78	93.74	-0.03	93.78	93.74	6557	51824
Dec	93.63	93.57	-0.05	93.63	93.56	5210	40080
Mar	93.41	93.33	-0.08	93.41	93.33	3543	29781

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.23	0.43	0.50	0.05	0.14	0.26
9375	0.09	0.27	0.36	0.16	0.23	0.37
9400	0.03	0.15	0.24	0.35	0.36	0.50

Est. vol. total, Calls 3306 Puts 2143. Previous day's open int., Calls 107215 Puts 82943

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.50
AIB Bank	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.50
●Henry Ansbacher	6.50	●Robert Fleming & Co	6.50	TSB	6.50
Bank of Baroda	6.50	Girobank	6.50	United Bank of Kuwait	6.75
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	Unity Trust Bank Plc	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Western Trust	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Whiteaway Laidlaw	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.75	Yorkshire Bank	6.50
Bank of Scotland	6.50	●Hill Samuel	6.50		
Barclays Bank	6.50	C. Hoare & Co	6.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50	* In administration	
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.50	Meghraj Bank Ltd	6.50		
Coutts & Co	6.50	Midland Bank	6.50		
Credit Lyonnais	6.50	* Mount Credit Corp	6.50		
Cyprus Popular Bank	6.75	NatWestminster	6.50		
		●Rea Brothers	6.50		

EMS EUROPEAN CURRENCY UNIT RATES

Jan 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.542	-0.416	-2.43	5.68	17
Netherlands	2.15214	2.11041	-0.00167	-1.94	5.33	14
Belgium	39.3960	38.7384	-0.0235	-1.67	5.04	12
Austria	13.4383	13.2995	-0.0075	-1.03	4.63	10
Germany	1.91007	1.88485	-0.00136	-1.32	4.67	9
Denmark	7.28580	7.28004	-0.0004	-0.08	3.32	0
Portugal	195.792	195.625	-0.281	0.07	3.21	-0
France	6.40608	6.45751	[illegible]	0.81	2.43	-9
Ireland	0.792214	0.816238	+0.00031	3.26	0.00	-22
NON ERM MEMBERS						
Greece	292.867	309.318	-0.307	5.62	-2.21	-
Italy	2106.15	2068.64	-8.71	-1.78	5.16	-
UK	0.786652	0.844401	+0.00042	7.34	-3.76	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.520	3.17	3.51	3.97	0.02	0.48	1.05
1.530	2.24	2.75	3.29	0.08	0.78	1.38
1.540	1.35	2.13	2.68	0.17	1.08	1.77
1.550	0.64	1.56	2.19	0.37	1.40	2.22
1.560	0.21	1.00	1.73	0.95	1.95	2.72
1.570	0.06	0.71	1.34	1.75	2.54	3.15

Previous day's vol., Calls 2,120 Puts 4,559 . Prev. day's open int., Calls 144,519 Puts 198,201

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.86	94.84	-0.02	94.86	94.84	95,289	426,870
Jun	94.93	94.92	-	94.93	94.86	116,650	403,407
Sep	94.89	94.88	-0.01	94.88	94.86	72,656	268,803

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.09	95.11	-0.01	95.11	95.09	405	7,683
Jun	95.33	95.35	-0.01	95.35	95.33	300	4,956
Sep	-	95.40	-	-	-	22	173

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9625	0.18	0.21	0.22	0.27	0	0.03	0.04	0.07
9650	0.01	0.04	0.08	0.19	0.08	0.11	0.13	0.14
9675	0	0.01	0.02	0.07	0.32	0.33	0.33	0.28

Est. vol. total, Calls 1849 Puts 1800. Previous day's open int., Calls 189082 Puts 212872

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0.10	0.21	0.27	0.10	0.15	0.27
9850	0.02	0.09	0.15	0.27	0.28	0.40
9875	0.01	0.04	0.07	0.51	0.48	0.62

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 7090 Puts 3038

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Pool purchase price £/MWh (trading on 08.01.96)	Final Pool purchase price £/MWh (on 12.12.95)	Final Pool selling price £/MWh (on 12.12.95)
0030	8.95	31.99	34.09
0100	12.71	31.99	34.09
0130	12.95	31.99	34.09
[illegible]	[illegible]	[illegible]	[illegible]

LEGAL NOTICES

No. 006178 of 1995

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT

IN THE MATTER of PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

- and -

IN THE MATTER of GENERAL ACCIDENT LINKED LIFE ASSURANCE LIMITED

- and -

IN THE MATTER of THE INSURANCE COMPANIES ACT 1982

Notice is hereby given in accordance with paragraph 4 of Schedule 2C to the Insurance Companies Act 1982 that on 20th December, 1995 an order was made by Her Majesty's High Court of Justice under Part I of that Schedule sanctioning a Scheme providing for the transfer to General Accident Linked Life Assurance Limited of the whole of the long term business carried on by Provident Mutual Life Assurance Association. As provided by the order, the transfers pursuant to the Scheme were implemented on 1st January, 1996. [illegible]

Dated this 8th January, 1996

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS
Ref: [illegible]

Solicitors for Provident Mutual Life Assurance Association

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		558xd	+5	608	476½	5,749	7.1	20.1
Bulmer (HP)		503xd	-2½	507	334	285.6	3.1	15.8
Burn St Dist		130	..	146	99	77.1	4.8	28.0
Grand Met		454xd	+5½	467	352	9,493	4.1	16.0
Guinness		481	+6	538	404	9,942	3.6	15.2
Highland		343xd	+1	444	317	456.9	3.0	15.5
Kirin Y		769¼	-4¼	775¼	621	8,096	0.8	29.9
Macallan-Glen		193	-1	217	175	226.6	0.9	42.8
Macdon Martin A		625xd	—	700	600	85.6	2.2	17.6
Matthew Clark		693	-10	694	532	620.9	3.8	–
Merrydown		112xd	+2	140	67	12.2	2.2	–
Seagram S		£23⅛	-⅛	£25⅛	£16⅞	6,315	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 3rd Prf.		50½	—	98	50¼	6.31	19.8	–
Cater Allen		455	-2	525	418	148.3	8.2	7.5
Close Bros		328	..	340½	216¼	398.0	3.3	14.5
Gerrard & Nat		468	+1	489	395	228.4	6.0	15.1
Hambros		213	—	253	180	376.6	4.4	–
7½pc Cv Pf		103	-1	112	94	132.7	9.1	–
Joseph (L)		463	—	463	253	24.0	5.2	25.3
King & Shaxson		151xd	—	152	85	39.9	7.5	11.7
Rea Brothers		64	—	67	44	30.9	2.0	25.6
Schroders		1365	—	1478	906½	2,061	1.3	19.4
N/V		1108	—	1180	823¼	487.5	1.6	15.8
[illegible]		[illegible]						

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31½	—	£34	£29	2,111	2.7	15.5
Barlow	‡	595½d	+⅛	595	542	1,990	1.5	Φ
Gold Flds Prop R		153	-4	157	138	15.6	7.0	8.8
NK Props		92	—	95	85	3.79	13.0	–
SASOL	♥	536	—	648	435	3,138	2.6	–
SA Brews		£24½	-⅛	£24⅞	£12⅞	7,218	1.4	32.9
Standard Bank	□	932⅛	+⅛	932⅛	1209⅛	3,844	1.5	22.1
Tiger Oats		1150xd	—	1165	700	1,739	1.7	Φ
Tongaat-Hulett	†	1128xd	+3	1128	836	1,625	1.7	21.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(ii) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. p Rights issue pending q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing January 8

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management
73 Front street, Hamilton, Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 441 292 6370
Orion Dec 29 $26.73

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021
Global Funds

Intl Currencies Fd Ltd

Latest Fund Prices 24hr service 01481 718040

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (u)

Guinness Flight Select Funds Plc

Henderson Crosthwaite Investment Co

LGT Asset Management PLC

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Barings Mutual (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Fleming Group

LUXEMBOURG (SIB RECOGNISED)

Danske Fund (u)

Mercury Asset Management S.A. - Contd.

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	+ or -	Yield Gross
Citimarkets SA				
Ciac European Asset Value Fund				
NAV Jan 4	$10.31		-0.17	–
Clemente Korea Emerging Growth Fund				
NAV Dec 22	$10.13		-0.21	–
Cox & Kings Overseas Fund				
Cratis Investment Funds				
Merrill Lynch Asset Management - Contd.				
Monterey Trust SICAV				
NAV	$20.10		–	–
Morgan Stanley Sicav				
Albany International Assurance Ltd				
Royal Life International				
Canaco Investment Management Ltd				
Capital International				
Capital Int. Fund	$160.21		+2.54	–
Cathay Investment Fund Limited				
Chameleon Funds Limited				
Chescor Indian Investment Company Ltd				
The China Fund				
Global Asset Management - Contd.				
Magellan Emerging Mkts Mngt (Jersey) Ltd				
Magnum Funds				
Magna Asset Management Ltd				
Malaysia Capital Fund Ltd				
Malaysia Fund (Labuan)				
Republic Funds				

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MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Equities braced for another bout of bid action

By Steve Thompson,
UK Stock Market Editor

Hopes that an expected increased offer for Forte, the hotels and leisure group, from Granada may be the first of a fresh series of big bids in the UK helped to drive the main market indices to all-time closing highs yesterday.

The bid speculation, coupled with increasing optimism that a settlement of the long drawn out US budget impasse may be imminent, saw the FT-SE 100 index end the session a net 16.1 higher at 3,720.6 and the FT-SE Actuaries All-Share index hit a record 1,821.21 for a rise of 6.82.

The market's concentration on the leaders meant that the second line stocks were slightly less impressive, although the FT-SE Mid 250 managed a rise of 8.9 at 4,080.1. The index is still almost 73 points short of its all-time high – 4,152.8 – recorded in February 1994.

London's performance impressed many of the leading marketmakers. One said the market had expected a much sharper decline in shares last Friday and today, but had been wrongfooted by the resilience of Wall Street, where the Dow Jones Industrial Average had performed much better than expected.

The US continued to provide much of the ammunition for the UK market, with the Dow rising seven points on Friday and opening strongly yesterday when trading finally got under way in a blizzard-affected New York.

Shortly after trading began yesterday, the Dow jumped 25 points, before slipping back to show a 7-point gain and then rallying again to display a 12-point advance two hours into the session.

Snow storms across the eastern US saw crude oil prices race ahead to their highest levels for around three years and fuelled good gains across the oil sector.

Enterprise Oil led the oil pack, helped by a forecast upgrade from one of the market's leading broking houses, while there were impressive performances from BP and Shell, as well as from all the smaller exploration stocks. The latter have been boosted by the takeover activity in the sector in the past few months.

Opening some 4 points higher, the Footsie quickly got into its stride in the wake of the big rises in oils and following a number of good individual performances in the leaders.

The cash market was also being persistently led higher by the future, which attracted keen interest throughout the day.

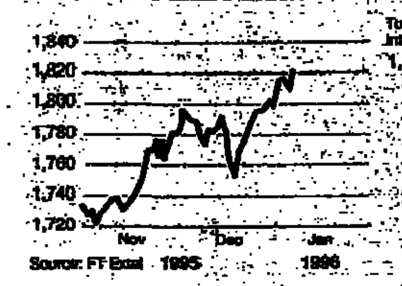
At the day's best, the index came within 0.2 of its intra-day record of 3,723.0, reached last week.

Turnover in equities was disappointing by recent standards, especially since yesterday was the first trading session since the Christmas/new year break to see the City's trading desks at full strength.

By 6pm, turnover had reached 575.4m shares, with non FT-SE 100 stocks accounting for 64 per cent of the total. Retail business on Friday was valued at £1.49bn.

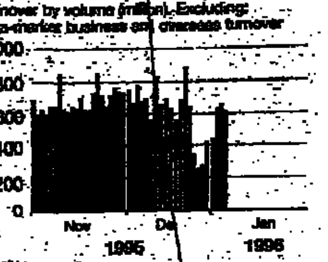
Dealers were bracing themselves for the final salvo from Granada in its battle to win control of the Forte empire. Some expect Granada to hoist its bid to 365p in cash and possibly launch a market raid. Allders was another stock in the middle of bid speculation, surging on news that LVMH, of France, had bought a 2 per cent stake in the company.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3720.6	+16.1	FT Ordinary Index	2750.5	+13.3
FT-SE Mid 250	4080.1	+8.9	FT-SE-A Non Fins p/e	16.84	(16.77)
FT-SE-A 350	1848.5	+7.1	FT-SE100 Fut Mar	3760.0	+29.0
FT-SE-A All-Share	1821.21	+6.82	10 yr Gilt yield	7.49	(7.50)
FT-SE-A All-Share yield	3.75	(3.77)	Long gilt/equity yld ratio:	2.10	(2.09)

Best performing sectors

1 Gas Distribution .... +2.3
2 Oil Exploration .... +1.8
3 Oil, Integrated .... +1.6
4 Mineral Extraction .... +1.2
5 Retailers, Food .... +1.1

Worst performing sectors

1 Household Goods .... -1.7
2 Extractive Inds .... -1.0
3 Building Mats .... -0.9
4 Water .... -0.7
5 Life Assurance .... -0.5

Weather boost for oils

The big freeze in the US has warmed the hearts of investors in the oil sector. As the cold weather sucks up oil stocks, it has pushed the price of Brent crude to the edge of a three-year high.

And with January Brent bursting through $20 a barrel yesterday, Shell Transport motored forward 11½ to set an all-time closing peak of 877½p. BP joined it with a rise of 10 to its own record close of 549½p.

Analysts said the US freeze had seen national stocks of heating oil drop by 12 per cent. And with the oil majors resisting the tendency to over-stock in an attempt to cut costs, any pick-up in demand leads to a rise in prices.

However, Ms Irene Himona of SGST cautioned that the price rise was unlikely to last. "On the supply side, Opec is still over-producing," she said.

The enthusiasm spilled over to Enterprise Oil, which was also helped by news that it has acquired licence interests in four blocks close to its Nelson field in the central area of the UK North Sea. Also, agency broker James Capel upgraded its earnings forecasts for the group. The shares appreciated 10 to 394p.

Meanwhile, Burmah Castrol jumped 24 to 962p in spite of the fact that its profits are generated principally by speciality chemicals and a rising oil price would tend to hurt profits.

Analysts said positive sentiment was driving the whole sector forward.

Forte hints

Analysts and traders held their breath yesterday as Granada Group's aggressive bid for Forte moved into the final stages.

Talk doing the rounds just before the market close hinted at a dawn raid from brokers acting for Granada, with the specific aim of acquiring up to 15 per cent of Forte's stock.

With today being the last opportunity for Granada to show its hand, market watchers were also expecting the company to raise its offer, with the cash alternative expected to be in the region of 360p to 370p a share.

Few had given the UK's leading hotels and restaurants operator much of a chance of staying independent when the home entertainment giant launched its takeover bid last November.

However, dealers said yesterday that the stronger than anticipated defence from Forte now meant that the odds were now slightly in favour of it escaping the clutches of its predator.

Shares in Forte finished a penny lower at 344p, while those of Granada closed the session at 643p ex-dividend.

Redland hit

Analysts were taking the pickaxe to forecasts for Redland after the building materials group warned of declining profits.

Redland shares surrendered 7 to 381p in reaction to a statement which flagged difficult trading, particularly in the housing sector.

The company said market conditions in Britain continued to weaken in the second half, activity in the German housing market also fell and construction activity in France had been hit by political uncertainty and industrial disruption. Forecasts for Redland's current financial year were coming down by around £10m to £365m and those for 1996 are also expected to be moved back.

The air of gloom spread over to RMC, already under pressure from a NatWest Securities downgrade last week. The shares fell 31 to 935p.

However, one analyst said the market was being unfair as RMC was far less concentrated on housing than Redland. And while there have been big concerns over the construction industry in Germany where RMC generates about half its profits, there were hints in a German newspaper yesterday that the government might be easing back on its drive to withdraw tax benefits.

Stores group Allders rose suddenly to the top of the bid targets list following confirmation late in the session that LVMH, the French luxury products company, had bought a 2 per cent stake in the UK retailer.

The news took market watchers very much by surprise and one said: "This may be the prelude to a full scale takeover."

The shares, easier from the outset as they went ex-dividend, moved strongly ahead and ended the session at 184p.

Last September, Allders warned of a likely shortfall in profits and last month the group duly reported an 8 per cent drop to £23.5m. It also spoke of weaker than hoped for market conditions in several areas and problems in its airport retailing operations.

Lloyds Chemists advanced 10 to 289p after a trading update revealed second half like-for-like sales in its chemists division up 4.3 per cent from a year earlier. Total group sales increased by 2.1 per cent on a year ago.

The news from Lloyds Chemists led to hopes of a positive trading statement on Thursday from Boots. Shares in the high street retailer climbed 14 to 599p. Several other stocks were also helped by talk of favourable Christmas trading. Dixons, which reports interim figures and a trading statement on Wednesday, put on 4 at 429p.

Sweeteners group Tate & Lyle was one of the day's worst performers following a profits downgrade. The shares fell 10 to 469p in trade of 3m.

Ms Sally Jones at Credit Lyonnais Laing lowered profits expectations for the year to September 1996 by £23m to £308m, and by £15m to £331m for the following year. The broker blamed the cut on expectations of reduced profits from the AE Staley subsidiary, but said the stock remains attractive for the long term.

Banks were mixed as the recent bout of profit-taking in the US combined with continued expectation of some cautionary research in the UK.

Barclays, with a line of 2m shares in the market which is still looking for a home, dipped 7 to 764p.

However, Standard Chartered improved 10 to 586p, with dealers pinpointing a Lehman Brothers recommendation.

Dealers cited a shortage of stock for the rise in Rolls-Royce. The shares moved ahead 7 to 195p, making the company the best performer in the market yesterday. Volume was 6.6m shares.

Reports of falling German steel prices weakened British Steel. Germany is an important market for the group. The shares eased 1½ to 166½p.

Shares in McBride, Europe's largest manufacturer of own-label household products and toiletries, which was floated in July, tumbled 37 to 148p in response to a profits warning.

Henderson Crosthwaite had already cut its profits forecast for McBride for the year to June 1996 from around the £40m mark to £30m. After yesterday's trading statement, it downgraded again to between £24m and £25m.

Crabtree, the printing press manufacturer, eased 4 to 360p as one institution offloaded a 9.2 per cent stake in the company. Broker Wise Speke crossed 1.87m shares at 330p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Jan 8	Jan 5	Jan 4	Jan 3	Jan 2	Yr ago	*High	*Low
Ordinary Share	2750.5	2737.2	2734.1	2725.8	2696.7	2348.0	2750.5	2238.3
Ord. div. yield	3.94	3.96	3.97	3.98	4.03	4.46	4.73	3.94
P/E ratio net	16.27	16.18	16.14	16.15	15.96	17.69	21.33	15.35
P/E ratio nil	16.06	15.98	15.94	15.95	15.76	17.14	22.21	15.17

Ordinary Share index since compilation: high 2750.5 8/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2742.6	2742.9	2751.1	2745.7	2745.3	2744.3	2745.5	2748.5	2750.3	2753.6	2741.4

	Jan 8	Jan 5	Jan 4	Jan 3	Jan 2	Yr ago
SEAQ bargains	33,233	30,830	32,165	31,788	27,915	19,228
Equity turnover (£m)†	-	1491.1	1674.1	1557.5	1072.2	1003.6
Equity bargains†	-	35,176	37,119	35,744	30,178	28,191
Shares traded (mil)†	-	604.3	639.3	624.6	422.1	444.2

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	821	Total Highs	168	Total contracts	28,116
Total Falls	486	Total Lows	29	Calls	16,993
Same	1,534			Puts	11,123

Jan. 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3734.0	3760.5	+19.5	3762.0	3732.0	5804	61962
Jun		3752.5	+19.5			0	1116

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4090.0	+10.0			0	3312

■ FT-SE 100 INDEX OPTION (LIFFE) (*3718) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3675		3625		3675		3725		3775	
Jan	180	1	112	3	69½	9	31	21½	8½	[illegible]
Feb	178	9	135½	14½	96	25	62½	41	37½	[illegible]
Mar	193	19½	152	28	116½	42	86	60½	69	[illegible]
Jun			280	76			139½	110		
Sep†			246½	105½			184½	140		

Calls 2,426 Puts 2,858 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	27.0	29	23	Cash Converters	27	+2	MV2.6	5.1	12.0	20.2
-	F.P.	23.4	126	116	Century Inns	117		-	-	-	-
-	F.P.	12.2	510	500	†Com de Part Fin	510		-	-	-	-
-	F.P.	55.5	113	108	Cox Insurance	113		-	-	-	-
-	F.P.	14.0	60	52	†Crown Products	53		-	-	-	-
-	F.P.	14.1	90	75	†Dmatek	75		-	-	-	-
100	F.P.	28.1	106	96	Finsbury Tech	106		-	-	-	-
200	F.P.	21.8	203	198	Gearhouse	200		Lw4.4	3.5	2.8	13.1
-	F.P.	26.1	88	78	Jupiter Split Cap	87		-	-	-	-
-	F.P.	54.3	101	99	Jupiter Split Inc	99½		K7.24	-	9.1	-
-	F.P.	69.0	£59	£58	Jupiter Split Units	£59		7.24	-	0.2	-
-	F.P.	13.5	28	20	†Marx & O'seas	23		-	-	-	-
204	F.P.	3,348.2	214½	198	National Grid	198		Wv11.23	2.3	7.1	8.9
-	F.P.	8.59	78	75	†Nthn Petim	75		-	-	-	-
-	F.P.	0.13	8	8	†Do Wrnts	8		-	-	-	-
-	F.P.	28.4	152	124	†Polymasc Pharms	142	-2	-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dlly	100		-	-	-	-
-	F.P.	3.15	3¾	3	†Rushmere Wynne	3½		-	-	-	-
133	F.P.	47.9	143	133	Unicorn Intl	143	+3	Wv5.5	2.2	4.8	11.9
-	F.P.	180.1	260	213	Victrex	260		Lv3.6	2.4	1.7	30.4
-	F.P.	4.05	135	125	†Viewinn	135		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 5	% chg on day	Jan 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	2120.36	+2.8	2062.16	1830.28	1.58	–	2093.86	1637.91
■ Regional Indices								
Africa (16)	2823.00	+3.2	2738.31	2990.39	3.22	29.55	2990.39	2272.74
Australasia (8)	2537.07	0.0	2537.12	2247.65	1.96	39.83	2807.57	1788.20
North America (12)	1863.56	+3.2	1804.92	1424.22	0.72	55.28	1831.00	1348.16

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FT - SE Actuaries Share Indices — The UK Series

	Jan 8	Day's chge%	Jan 5	Jan 4	Jan 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3720.6	+0.4	3704.5	3714.1	3715.6	3055.8	3.86	2.06	15.70	2.43	1489.14
FT-SE Mid 250	4080.1	+0.2	4071.2	4071.4	4053.9	3477.1	3.59	1.83	19.00	2.75	1608.45
FT-SE Mid 250 ex Inv Trusts	4092.8	+0.2	4083.9	4083.2	4066.7	3485.9	3.72	1.89	17.76	2.43	1614.57
FT-SE-A 350	1848.5	+0.4	1841.4	1845.2	1844.0	1531.0	3.80	2.02	16.30	1.22	1513.33
FT-SE-A 350 Higher Yield	1850.4	+0.5	1841.5	1844.5	1845.5	1559.0	4.69	1.83	14.57	1.48	1257.49
FT-SE-A 350 Lower Yield	1851.5	+0.3	1846.2	1850.8	1847.4	1502.7	2.86	2.34	18.65	0.94	1265.02
FT-SE SmallCap	1974.61	+0.3	1969.57	1966.40	1958.17	1744.09	3.16	1.82	21.78	1.38	1597.73
FT-SE SmallCap ex Inv Trusts	1948.41	+0.2	1943.58	1939.71	1933.05	1720.46	3.38	1.90	19.43	1.45	1585.08
FT-SE-A ALL-SHARE	1821.21	+0.4	1814.39	1817.55	1815.96	1515.59	3.75	2.00	16.62	1.20	1514.85

■ FT-SE Actuaries All-Share

	Jan 8	Day's chge%	Jan 5	Jan 4	Jan 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	3309.12	+1.2	3268.74	3251.37	3271.66	2665.58	3.53	2.03	17.48	0.00	1392.50
12 Extractive Industries(6)	4148.73	-1.0	4190.72	4167.81	4183.63	3651.75	3.58	2.58	13.65	0.00	1189.65
15 Oil, Integrated(3)	3377.15	+1.6	3323.08	3303.89	3324.65	2653.02	3.64	1.95	17.55	0.00	1456.84
16 Oil Exploration & Prod(16)	2161.86	+1.8	2124.13	2123.65	2146.67	1872.07	2.26	1.53	36.02	0.00	1283.20
20 GEN INDUSTRIALS(276)	2012.86	+0.4	2004.77	2003.05	1987.30	1835.31	4.10	1.89	16.09	0.43	1081.16
21 Building & Construction(34)	1059.59	-0.3	1063.01	1066.13	1062.66	961.66	3.80	2.18	15.10	0.36	873.28
22 Building Matls & Merchs(29)	1814.97	-0.9	1830.65	1832.98	1825.00	1761.67	4.13	2.03	14.90	0.29	900.88
23 Chemicals(23)	2454.45	+1.1	2428.40	2412.83	2391.63	2254.06	3.99	1.87	16.77	0.00	1142.98
24 Diversified Industrials(21)	1827.60	+0.4	1819.75	1826.28	1809.20	1795.29	5.38	1.57	14.81	0.00	909.30
25 Electronic & Elect Equip(36)	2267.78	+0.7	2252.07	2225.19	2196.70	1880.85	3.18	1.99	19.73	1.27	1164.62
26 Engineering(71)	2209.26	+0.7	2193.17	2194.86	2181.19	1775.03	3.37	2.23	16.61	1.02	1323.14
27 Engineering, Vehicles(13)	2530.41	-0.4	2540.32	2556.96	2550.19	2125.85	4.05	1.23	24.99	0.00	1290.16
28 Paper, Pckg & Printing(28)	2656.13	+0.7	2636.45	2619.67	2591.58	2734.79	3.75	2.49	13.40	0.39	1089.83
29 Textiles & Apparel(19)	1450.48	+1.0	1435.78	1450.64	1433.09	1623.12	4.79	1.79	14.57	0.00	869.94
30 CONSUMER GOODS(82)	3644.04	+0.1	3639.90	3653.94	3650.15	2811.97	3.80	1.76	18.68	6.12	1328.87
32 Alcoholic Beverages(9)	2962.07	+1.1	2930.07	2934.89	2935.14	2653.46	4.49	1.64	17.00	27.39	1068.22
33 Food Producers(24)	2625.11	+0.2	2621.03	2618.89	2613.10	2317.64	3.92	1.81	17.64	0.00	1164.26
34 Household Goods(15)	2684.05	-1.7	2730.65	2705.49	2726.76	2376.01	3.61	2.14	16.17	0.30	1008.00
36 Health Care(20)	1906.89	+0.4	1899.93	1903.44	1910.51	1579.77	2.70	1.78	26.31	0.96	1145.76
37 Pharmaceuticals(13)	5068.78	-0.1	5076.15	5103.95	5091.80	3341.74	3.24	1.70	22.70	0.00	1692.92
38 Tobacco(1)	4714.05	-0.1	4718.28	4781.81	4777.58	3749.73	5.09	1.94	12.67	0.00	1140.47
40 SERVICES(254)	2254.18	+0.4	2244.50	2248.98	2245.45	1884.32	3.02	2.12	19.53	2.29	1158.75
41 Distributors(32)	2606.29	+0.6	2589.96	2587.04	2587.14	2493.07	3.67	1.77	19.19	0.00	948.57
42 Leisure & Hotels(24)	2647.12	+0.1	2645.52	2662.99	2674.66	2116.82	3.27	2.04	18.74	9.68	1364.36
43 Media(46)	3556.34	+0.5	3537.98	3535.41	3512.17	2747.26	2.13	2.24	26.16	4.16	1274.28
44 Retailers, Food(15)	2015.27	+1.1	1993.33	2001.76	2010.06	1750.22	3.62	2.40	14.36	0.00	1261.92
45 Retailers, General(43)	1931.23	+0.5	1921.26	1937.55	1948.21	1567.58	3.07	2.27	17.95	0.70	1089.08
47 Breweries, Pubs & Rest.(24)	2882.02	+0.2	2875.76	2878.10	2863.35	2195.81	3.42	2.04	17.93	7.81	1374.49
48 Support Services(49)	1925.41	.....	1925.03	1911.12	1889.88	1490.06	2.44	2.46	20.82	1.74	1213.57
49 Transport(21)	2205.92	-0.1	2209.35	2198.63	2177.42	2252.02	3.93	1.41	22.53	0.00	906.29
60 UTILITIES(35)	2432.26	+0.6	2417.52	2433.67	2447.14	2395.51	5.08	2.03	12.13	1.02	1017.96
62 Electricity(14)	2721.72	+0.6	2705.76	2723.02	2729.65	2524.90	5.06	2.62	9.42	1.43	1267.47
64 Gas Distribution(2)	1707.36	+2.3	1669.21	1678.81	1717.08	2039.74	7.02	1.04	17.12	0.00	856.61
66 Telecommunications(7)	1946.64	+0.6	1936.55	1956.03	1986.74	1986.16	4.33	1.74	16.58	0.00	882.01
68 Water(12)	2114.71	-0.7	2130.29	2126.34	2121.97	1770.10	5.76	2.61	8.30	3.61	1147.79
69 NON-FINANCIALS(672)	1924.92	+0.5	1915.85	1918.84	1916.81	1645.78	3.79	1.96	16.84	1.49	1437.67
70 FINANCIALS(108)	2903.64	.....	2903.28	2910.82	2914.08	2104.00	3.89	2.33	13.80	0.31	1226.41
71 Banks, Retail(8)	4082.31	+0.1	4077.65	4114.89	4116.32	2774.21	3.67	2.60	13.09	0.00	1308.63
72 Banks, Merchant(6)	3667.94	.....	3667.94	3688.44	3663.54	2927.21	2.54	2.41	20.43	0.00	1149.87
73 Insurance(24)	1438.61	+0.1	1436.85	1419.06	1445.99	1157.36	5.09	2.09	9.12	0.00	1054.36
74 Life Assurance(6)	3502.99	-0.5	3519.42	3498.25	3494.71	2269.58	3.98	1.53	20.53	0.00	1427.13
77 Other Financial(23)	2419.88	-0.3	2426.69	2430.14	2402.89	1851.39	3.89	1.89	17.97	0.00	1356.79
79 Property(41)	1474.66	.....	1475.06	1462.61	1456.16	1369.34	4.21	1.32	22.46	1.66	895.41
80 INVESTMENT TRUSTS(127)	3067.01	.....	3068.45	3070.81	3050.72	2643.34	2.17	1.05	54.89	2.78	1063.03
89 FT-SE-A ALL-SHARE(907)	1821.21	+0.4	1814.39	1817.55	1815.96	1515.59	3.75	2.00	16.62	1.20	1514.85
FT-SE-A Fledgling	1117.38	+0.2	1115.09	1113.89	1112.45	1002.89	3.04	2.27	18.16	0.89	1155.61
FT-SE-A Fledgling ex Inv Trusts	1117.44	+0.2	1115.20	1113.86	1114.46	1004.76	3.34	2.47	15.15	1.02	1154.97

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3708.9	3710.9	3720.3	3714.5	3714.8	3713.5	3714.3	3717.5	3719.4	3722.8	3708.6
FT-SE Mid 250	4071.5	4071.9	4076.7	4078.8	4078.1	4078.0	4078.3	4079.8	4079.4	4080.6	4071.5
FT-SE-A 350	1843.1	1843.9	1848.1	1846.0	1846.1	1845.5	1845.9	1847.3	1846.0	1849.1	1843.1

Time of FT-SE 100 Day's high: 9.54am Day's low: 8.35am. FT-SE 100 1996 High: 3715.6 (3/1/96) Low: 2954.2 (23/1/95).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1067.2	1066.2	1066.0	1066.0	1063.5	1061.6	1061.5	1063.9	1063.1	1063.1	1069.1	-6.0
Pharmacuticls	5040.4	5036.9	5024.4	5011.0	5009.2	5009.2	5005.8	5009.1	5013.9	5011.8	5017.6	-5.8
Water	2124.7	2124.7	2124.7	2123.8	2118.4	2112.1	2112.1	2111.9	2108.0	2108.0	2123.9	-15.9
Banks, Retail	4121.1	4129.8	4141.9	4135.0	4137.3	4137.6	4138.0	4136.6	4139.7	4134.3	4129.3	+5.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1996. © The Financial Times Limited 1996. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION (5.1.96): Club Resources (12) & FTSE SmallCap. Due to an incorrect classification for Benfield & Rea IT which is now reclassified to 73 from 80, the indices have been recalculated from 2/1/96.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 8 / Sch)

BELGIUM/LUXEMBOURG (Jan 8 / Frs.)

CZECH REP (Dec 15 / Koruna)

DENMARK (Jan 8 / Kr)

FINLAND (Jan 8 / Mks)

FRANCE (Jan 8 / Frs.)

GERMANY (Jan 8 / Dm.)

GREECE (Jan 8 / Drachma)

ITALY (Jan 8 / Lire)

NETHERLANDS (Jan 8 / Fls.)

NORWAY (Jan 8 / Kroner)

POLAND (Jan 8 / Zloty)

PORTUGAL (Jan 8 / Escudo)

SPAIN (Jan 8 / Pts.)

SWEDEN (Jan 8 / Kronor)

SWITZERLAND (Jan 8 / Frs.)

TURKEY (Jan 8 / TK Lira)

PACIFIC

JAPAN (Jan 8 / Yen)

AUSTRALIA (Jan 8 / Aust$)

HONG KONG (Jan 8 / H.K.$)

INDONESIA (Jan 8 / Rupiah)

MALAYSIA (Jan 8 / MYR)

NEW ZEALAND (Jan 8 / NZ $)

SINGAPORE (Jan 8 / S$)

SOUTH KOREA (Jan 8 / Won)

TAIWAN (Jan 8 / TW $)

THAILAND (Jan 8 / Baht)

AFRICA

SOUTH AFRICA (Jan 8 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 8 / Can $)
4 pm close

MONTREAL (Jan 8 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

INDEX FUTURES

US INDICES

Dow Jones

Day's high 5207.08 (5181.79) Low 5160.34 (5133.38) (Actual¶)

Standard and Poors

				High	Low	High	Low
Composite‡	618.46	616.71	617.70	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials¶	726.21	723.33	724.58	731.65 (13/12/95)	546.28 (3/1/95)	731.65 (13/12/95)	3.62 (21/6/32)
Financial	60.80	60.81	61.16	63.66 (6/12/95)	41.64 (3/1/95)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	331.26	330.18	330.72	332.63 (3/1/96)	250.73 (3/1/95)	332.63 (3/1/96)	4.46 (25/4/42)
Amex Mkt Val	548.35	543.92	548.47	563.58 (12/9/95)	433.12 (6/1/95)	563.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1032.37	1033.47	1029.82	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Dec 29	Dec 22	Dec 15	Year ago
Dow Jones Ind. Div. Yield	2.30	2.31	2.27	2.79
	Jan 3	Dec 27	Dec 20	Year ago
S & P Ind. Div. yield	1.95	1.96	2.02	2.45
S & P Ind. P/E ratio	18.95	18.75	18.49	18.71

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Loral	4,075,700	45	+6¾
Motorola	2,998,500	58¾	-⅜
Ford Motor	2,054,200	28⅞	-⅜
Lowes Co's	1,611,800	29½	-2
Micron Tech	1,557,700	38⅝	-½
Silicon Graph	1,443,200	25	+¾
Lockheed Mrt	1,148,000	80¼	+2⅜
Homestake	1,080,800	17⅞	+⅜
Amer T & T	1,073,900	67	+⅛
Boeing	1,047,100	80¾	+1⅜

■ TRADING ACTIVITY

● Volume (millions)

	Jan 8	Jan 5	Jan 4
New York SE	131.556	433.351	512.512
Amex	7.774	24.925	20.174
NASDAQ	(a)	559.162	542.941
NYSE			
Issues Traded	2,845	3,101	3,111
Rises	1,259	1,143	914
Falls	882	1,159	1,519
Unchanged	804	799	678
New Highs	122	104	185
New Lows	8	25	20

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	619.50	622.40	+3.10	622.60	619.50	82,648	197,070
Jun	626.40	627.90	+3.05	628.00	626.40	221	5,883

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	20640.0	20640.0	-60.0	20700.0	20560.0	16,422	138,732
Jun	20630.0	20600.0	-130.0	20630.0	20600.0	5	18,287

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. Day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, January 8, 1995

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	13.4m	853	-10
Takara Shuzo	12.1m	1110	+100
Daido Stl Sheet	11.5m	1820	+220
Sumitomo Mtl Min	9.3m	1030	+35
Keisei Ele Ry	8.3m	938	+8
Mitsui Min & Sml	7.8m	436	+4
NKK Corp	7.4m	291	-4
Sanyo Electric	6.3m	653	-14
Nippon Steel Corp	6.2m	364	-5
Sumitomo Hvy Ind	5.8m	415	-10

4pm close January 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	12¼	AAR	0.48	2.3	22	335	21⅛	20⅝	21⅛	+⅝
46¼	35	AMP	0.92	2.3	20	542	40	39⅝	40	-⅛
80¼	53½	AMR			17	2535	74½	73⅞	73½	-1⅛
47⅞	28⅞	ASA	1.71	4.1	27	1130	41½	41	41½	+1⅛
44¼	30¼	Abbott	0.84	2.0	20	2619	42⅜	41½	42⅜	+⅛
16⅞	12	AbleTel Pr	0.40	2.6	7	129	15¼	15⅛	15¼	+⅛
28½	21	ABM Inds	0.70	2.5	19	2	27⅞	27⅞	27⅞	
17½	13⅛	Acclaim			11	191	15½	15¼	15½	+⅛
40	21⅞	ACE Ltd x	0.36	1.5	9	237	39	38½	38½	-⅛
9⅞	8⅛	ACM Gvt In x	0.42	5.2	8	90	9¼	9¼	9¼	
7¾	6½	ACM GvOpp x	0.66	9.1		12	7⅜	7¼	7¼	-⅛
7½	6¾	ACM Gvt Sc x	0.75	11.1		394	6¾	6¾	6¾	
8¾	7¼	ACM Gvt Se x	0.24	2.9		56	8½	8⅜	8⅜	
9½	7⅝	ACM Man x	0.90	10.0		51	9⅛	9	9	-⅛
29¼	10¼	AcmeClv	0.48	2.6	33	23	18⅝	18½	18⅝	
38¼	7⅞	Acme Elect			73	6	8⅞	8⅞	8⅞	
34½	23¼	Acordia	0.72	2.4	16	2	29⅝	29⅝	29⅝	-⅛
16¾	10⅛	Acuson			39	29	12¾	12⅝	12⅝	-⅛
19⅝	15⅝	Adams Expr	0.48	2.6	6	144	18¾	18⅝	18¾	
38⅞	27⅞	AdvMic			5	5161	18¼	17¼	17¼	-⅝
9¾	5	Advest Grp	0.16	1.9	12	218	8⅞	8¾	8⅞	+⅛
27½	16½	Advo Inc	0.10	0.4	13	331	25¾	25⅜	25½	-⅜
45½	24.80	Aegon	1.25	2.8	17	4	u45⅜	45⅛	45⅛	
5⅞	3⅜	Aerflx			7	12	3⅞	3⅞	3⅞	-⅛
76¾	46¾	AetnaL	2.76	3.9	30	1698	70¼	69¾	69⅞	-⅞
45½	31⅞	Aflac	0.52	1.1	13	140	u45½	45¼	45½	-¼
28⅞	16	Ahmanson	0.88	3.5	7	602	25⅛	24⅞	25⅛	
58½	43⅞	AirPrC x	1.04	1.9	16	408	55⅛	54½	55	
29½	18⅜	Airbrne Frt	0.30	1.1	26	457	28	27½	28	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

2pm close January 8

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
59	39⅝	SBC Cm x	1.65	2.8	19	1350	58⅞	57⅞	58⅛	-⅞
28⅝	20½	Scana Corp	1.44	5.1	17	174	28⅛	28	28⅛	+⅛
18	14½	Scecrp x	1.00	5.6	10	3866	u18	17⅞	18	
11¼	5⅞	SchnwkA	0.36	3.2	20	58	6¼	6⅛	6⅛	
50¼	37¼	ScheringP			23	1074	45⅛	44⅞	45	+⅛
60¾	35½	SciAtl	1.16	2.1	20	2385	54½	54	54½	+⅜
70⅞	50⅛	Schlmb	1.50	2.2	25	1484	67¾	67½	67¾	+¾
28	11¼	Schwab(C)	0.16	0.8	22	1579	20⅝	20⅜	20½	+⅛
28⅝	20⅜	SchwtMaud				180	23⅜	23⅛	23⅛	-½
24⅞	11⅞	SciAtl	0.06	0.4	19	779	14⅜	14¼	14⅜	+¼
20	15⅛	Scotman x	0.10	0.6	11	26	17¾	17½	17⅝	-⅛
40⅝	28⅞	Scripps	0.52	1.3	26	15	39¼	39	39	-⅛
21½	13⅞	ScuddrNAsF	0.02	0.1		190	17¼	17⅛	17⅛	-⅛
11¾	8⅝	ScuddrNEuF	0.16	1.4		197	u11¾	11⅝	11¾	+⅛
20	13⅜	SeaCnt	0.70	4.1	1	2	17	17	17	
16¾	14⅝	SeaCnt.4625	1.46	9.2		18	15⅞	15½	15⅞	
54¼	23⅞	S'gate			10	3217	48¼	47⅝	48¼	+¼
39½	25⅝	Seagrm	0.60	1.7	24	784	36⅝	36	36⅛	+⅛
22½	15¼	Seagull En			77	2516	21¼	20¼	21	+1
30¾	18	Sealed Air			23	118	27⅝	27½	27⅝	-⅛
42⅛	30⅞	SearsR	0.92	2.2	11	2407	41⅞	41⅛	41½	-⅝
20½	16⅜	SecCapSBI	1.24	6.3	23	211	19¾	19⅝	19¾	
12⅞	10⅜	Sellgm Sel	0.84	6.5		61	u12⅞	12¾	12⅞	+⅛
38¼	16¼	Sensormat	0.22	1.3	15	2714	17¾	17	17⅛	-⅜
32¼	21⅞	SequaA	0.60	1.9	14	105	u32¼	31⅝	32¼	+¾
40	23	SequaB	0.50	1.3	21	13	39¾	39¾	39¾	
44	28¼	SvcCp	0.44	1.1	24	338	41⅞	40¾	40⅞	+⅛
30½	21½	SvMstr	0.96	3.1	14	369	u30½	29¾	30½	+¾

- X - Y - Z -

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
144⅝	98½	Xerox	3.00	2.3	16	1102	132⅞	131½	131¾	-1
52½	39¾	Xtra Corp	0.64	1.6	11	405	40⅝	d39¾	40	-⅝
25¾	19½	Yankee Egy	1.26	4.9	21	57	u25¾	25½	25¾	+⅜
48½	34⅛	York Int	0.24	0.5	17	66	47	46½	46½	-¼
4½	2½	Zapata	0.14	4.1	24	160	3½	3⅜	3⅜	-⅛
12¼	6⅝	ZnthEl			4	443	6½	d6⅜	6½	+⅛
24⅝	19⅜	Zenith Nat	1.00	4.7	30	41	21½	21¼	21½	
6⅞	6⅛	Zeolx Inc	0.72	10.9		22	6¾	6⅝	6⅝	-⅛
17⅞	12⅝	Zero	0.44	2.6	16	17	16⅝	16⅝	16⅝	+¼
26	16⅞	Zurn Ind	0.40	1.9	18	27	20¾	20⅝	20⅝	-¼
11½	10¼	Zweig Fund	1.12	10.2		54	11⅛	11	11	-⅛
9	7⅞	Zweig Tl	0.84	9.9		255	8⅝	8½	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ds-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX COMPOSITE PRICES

2pm close January 8

NASDAQ NATIONAL MARKET

2pm close January 8

AMERICA

Trading hit by blizzard conditions

Wall Street

US share prices were mixed in very thin trading yesterday as action was disrupted by a blizzard that struck much of the east coast, *writes Lisa Bransten in New York.*

At the close, after only 2½ hours of trading, the Dow Jones Industrial Average was up 16.25 at 5,197.68, while the Nasdaq composite was off 1.09 at 1,032.38. The Standard & Poor's 500 finished 1.75 firmer at 618.46 and the American Stock Exchange composite put on 2.37 at 546.28.

Trading volume on the New York Stock Exchange came to 130m shares.

US stock exchanges opened 2½ hours late at 11 am and finished trading at 2 pm.

Bonds were mostly unchanged after a shortened session that ended at noon.

Travel was stopped or delayed on much of the eastern seaboard, causing declines in several US airline shares. UAL, the parent of United Airlines, slipped $2 to $177⅛. Delta was $2¾ lower at $75½ and AMR, parent of American Airlines, was off $1⅛ at $73⅛.

Loral added $8¾ or 24 per cent at $45 after the company agreed to sell defence operations to Lockheed Martin. Under the deal announced yesterday, Lockheed will also invest $344m in new space operations at Loral. Shares in Lockheed advanced $2⅞ or 4 per cent to $80⅛.

Aluminum Company of America shed $3 or 5 per cent to $52⅝ after reporting fourth-quarter earnings well below expectations. Net income at the company, which is a component of the Dow, was 86 cents a share, more than double last year's figure but below analysts' expectations.

Canada

Toronto posted gains in mid-day trade, supported by a strong gold shares sector, and the TSE 300 composite index was 27.81 higher by noon at 4,867.55 in busy volume of 36.2m shares.

Resource stocks dominated Toronto's top 10, led by Transwest Energy, which rose 5 cents to C$1.20. Nova traded steady at C$11⅝; it estimated that its 1995 net income would be cut by C$30m or 6.2 cents a share after Alberta's regulator said that tolls on its gas transmission division would drop.

Barrick Gold rose C$¾ to C$39⅝ while Corel bounced back, up C$⅞ to C$15⅝.

Mexico edges ahead

Mexico City turned back from its best early levels, but still remained higher in midday trade on expectations of a fall in primary interest rates today.

Analysts said the peso's recent stability was also helping to attract foreign equity investors. The IPC index, up at 3,030.01 in early trade, later stood 4.11 ahead at 3,015.16.

BUENOS AIRES built on last week's 7 per cent advance, the Merval index rising 5.01 points to 580.08 in late morning trade. Analysts noted that the market was devoid of big sellers and most investors were largely optimistic about the economy's growth prospects.

CARACAS was weak in morning trade, the IBC 19-share index falling 26.99 to 2,013.70 by noon.

S Africa attains new peaks

Johannesburg's industrial and all-share indices closed at their fourth consecutive record highs, on generally positive sentiment and a firm gold price. One analyst said that bullion was expected to test the $400 an ounce level, encouraging investors to push the gold shares index higher than the spot metal price might have warranted.

The overall index climbed 78.8 to 6,603.6, industrials advanced 52.7 to 8,301.5 and golds added 39.8 at 1,572.8.

De Beers rose R3 to R120.50 and Amgold R16 to R336.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	+5.55	+5.04	-6.15	-6.93	+1.15	+0.40
Belgium	+2.57	+5.78	+18.58	+17.76	+27.82	+26.87
Denmark	+2.16	+2.21	+5.00	+6.69	+17.64	+16.76
Finland	-2.19	-11.73	-11.57	-9.86	-0.94	-1.67
France	+2.48	+2.97	+3.62	+3.02	+12.48	+11.65
Germany	+3.03	+3.23	+10.88	+8.68	+18.06	+17.18
Ireland	+2.70	+1.78	+20.45	+22.60	+28.19	+27.24
Italy	-0.85	+5.06	-5.79	-5.08	-1.78	-2.51
Netherlands	+1.96	+3.65	+19.01	+18.45	+28.66	+27.71
Norway	+3.44	+4.74	+6.17	+4.83	+12.71	+11.87
Spain	+1.73	+4.56	+18.72	+17.37	+28.62	+27.66
Sweden	+2.24	+2.69	+19.64	+23.08	+39.38	+38.34
Switzerland	+2.25	+4.36	+29.05	+28.44	+46.11	+45.01
UK	+0.50	+2.23	+21.07	+19.83	+19.83	+18.93
EUROPE	**+1.56**	**+3.00**	**+15.32**	**+14.56**	**+21.37**	**+20.46**
Australia	+2.21	+3.01	+20.67	+18.00	+14.12	+13.27
Hong Kong	+5.19	+7.86	+28.99	+24.97	+25.95	+25.00
Japan	+3.66	+7.00	+6.56	+5.80	+1.42	+0.67
Malaysia	+5.75	+7.62	+8.15	+6.42	+7.28	+6.48
New Zealand	+2.09	+4.11	+13.92	+13.00	+16.80	+15.95
Singapore	+5.30	+10.89	+11.04	+11.51	+15.11	+14.26
Canada	+2.68	+2.19	+15.93	+14.53	+19.25	+18.36
USA	-0.15	-0.51	+33.16	+33.62	+34.62	+33.62
Mexico	+9.83	+15.24	+30.51	+25.68	-17.62	-18.23
South Africa	+5.60	+4.40	+25.99	+8.11	+22.32	+21.40
WORLD INDEX	**+1.61**	**+2.71**	**+18.37**	**+17.81**	**+19.14**	**+18.25**

† Based on January 5, 1996.

EUROPE

Oil price features in Amsterdam, Paris, Madrid

Analysts had been advising a cooling off period for AMSTERDAM, which had outperformed other senior bourses since early October; but the market rallied all day following Friday's technical correction, and the AEX index ended 6.04 or 1.2 per cent higher at a new peak of 503.61.

The market got a strong push from Royal Dutch, up Fl 5 at Fl 231.50 on higher crude oil prices. However, the recently subdued Philips outperformed Royal Dutch in percentage terms, gaining Fl 2.20 or 3.6 per cent at Fl 64.10, against a July 1995 peak of Fl 83.90.

A recent note from Ms Nicola Almond at Paribas Capital Markets said that the electronics group's shares had over-reacted to a relatively small setback in earnings; Paribas believed that the stock was undervalued by 34 per cent.

FRANKFURT replaced Friday's post-bourse weakness with a show of strength, ending Ibis trading with the Dax index 21.10 higher at 2,336.78. However, turnover fell again, from DM8.1bn to DM6.4bn.

With Wall Street opening late and no stimulus from the dollar, or bonds, this was a gain based on trading, rather than fundamentals, said Mr Jens Wiecking of Merck Finck in Düsseldorf. Neither foreign nor most domestic investors were buying, he said, but dealers were taking the view that the market could rise later in the month, given a further recovery in the dollar.

Cyclicals gained ground on this proposition, particularly chemicals and automotive stocks. Analysts noted the decisions at Bayer and BASF to move their shares to DM5 nominal value, and the stocks rose DM2.45 to DM333.70 and DM4.40 to DM398.40 respectively, while BMW, Daimler and Volkswagen put on DM9.40 at DM785.20, DM9 at DM747 and DM9.20 at DM504.90.

The biggest gains of the day came in Henkel, up DM14 at DM560, and in Schering, DM2.55 higher at DM99.85. There has been talk that Henkel would sell a DM700m stake in Degussa; but Mr Wiecking noted that yesterday's share price rise came in meagre volume. On Schering, analysts said there was nothing specific, and that comment on the sector had been on the edge of bearish recently.

PARIS closed nearly 10 points off the bottom with the CAC-40 index down just 1.16 at 1,916.56, in turnover of FFr3.08bn. Within that, Elf Aquitaine surrendered FFr6.10 to FFr357.80, although oil prices hit a new high.

FT-SE Actuaries Share Indices								THE EUROPEAN SERIES
Jan 8	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1523.56	1524.21	1523.72	1522.21	1521.49	1521.96	1522.03	1522.41
FT-SE Eurotrack 200	1617.05	1615.02	1613.98	1613.92	1614.47	1614.72	1615.30	1615.67
	Jan 5	Jan 4	Jan 3	Jan 2	Dec 29			
FT-SE Eurotrack 100	1519.20	1535.57	1534.22	1506.80	1490.41			
FT-SE Eurotrack 200	1614.98	1631.71	1630.09	1610.53	1600.63			

Base 1000 (26/10/90) High/day: 100 - 1525.43 200 - 1618.00 Low/day: 100 - 1520.46 200 - 1612.11 † Partial

Elf is big in oil exploration and development, said Mr Michael Woodcock at Williams de Broë, and an obvious beneficiary from an oil price rise. Unfortunately, the company was also the subject of weekend comment on financial investments which may have gone wrong over the past two or three years: "It was used by the state to bail out its lame ducks," said Mr Woodcock.

Elsewhere, Valeo rose FFr6.40 to FFr227.90 after the motor components company's chairman reiterated his forecast for 1995 profits: Eurotunnel lost 35 centimes or 5.1 per cent at FFr6.45 after a report that Japanese banks were ready to sell their debt in the secondary market; and Pinault-Printemps rose FFr29 to FFr1.060, recommended by Société Générale after the sale of Pinault Equipement.

ZURICH followed early strength in UBS with general profit taking in subsequent trade, and the SMI index turned back from the day's high of 3,393.9 to close 5.0 weaker at 3,368.1.

UBS put on SFr19 at SFr1,301 as hopes grew that 1995 results would be better than earlier expected. Among insurers, Swiss Re fell SFr17 to SFr1,313 on the view that the stock had limited potential this year after last year's bull run.

Motor Columbus, the energy group in which UBS holds a majority, surged SFr130 to SFr2,210 on the reappearance of old speculation about the possibility of an energy holding company to house Motor Columbus and Elektrowatt, which is a rival. Elektrowatt added SFr6 at SFr442.

MILAN overcame early weakness after a turnround in the fortunes of Olivetti, and a strong performance by Eni, the energy group.

Many investors, however, remained sidetracked ahead of the parliamentary debate on the government's future, due to begin this evening. The Comit index dipped 1.89 to 587.40, while the real-time Mibtel picked up from 9,311 to finish 86 higher at 9,435.

Olivetti recovered from a day's low of L1,140 to close just L4 off at L1,182 after its Omnitel GSM digital mobile telephone network manager reported that it had taken 40 per cent of the market with more than 60,000 subscriptions in its first month of operation.

Eni picked up L85 to L5,587 on reports of a strong buy recommendation from Credit Suisse First Boston.

MADRID majored in Repsol, a strong performer since last October in the run-up to the Spanish government's sale of a fourth tranche of stock in the first quarter of this year.

Yesterday, Repsol rose a net Pta70 to Pta4,040 as the general index closed 0.48 higher at 327.82. The oil company accounted for nearly 40 per cent of market volume, thanks to a large block trade by Société Générale.

WARSAW defied some expectations of a downward correction, and instead extended last week's 9.4 per cent advance, supported by Friday's reduction in interest rates. The Wig index added 185.5 or 2.2 per cent at 8,484.1 in turnover that jumped 17.1 per cent to 103m zlotys.

Among the day's biggest movers, Stalexport jumped 5 zloty to 29 zlotys and Drosed surged 2.8 zlotys or 9.9 per cent to 31 zlotys.

PRAGUE caught up with sentiment elsewhere in its first session of 1996, the PX50 index rising 12.0 or 2.8 per cent to 437.9 as a predicted rally in high-capitalisation stocks spurred the bourse higher.

BUDAPEST talked of higher central budget revenues, a strong dollar and declining international interest rates, but it dreamed of the central European equity boom of two years ago as the Bux index climbed 89.39 or 5.3 per cent to 1,779.10. Turnover more than doubled to 964.7m forints, up from 437.6m on Friday.

ATHENS picked up 1.3 per cent, unimpressed by news that the conservative opposition would seek a censure motion in parliament later in the day to keep up pressure on the ailing president to resign. The general index moved forward 11.78 to 917.60 on selective buying of banks by institutional investors.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Profit-taking hits Nikkei as Taipei stages fightback

Tokyo

Profit-taking by domestic institutions pressured prices and the Nikkei index fell for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average closed 105.45 down at 20,563.58, after moving between 20,471.40 and 20,667.03. Dealers reduced their long positions as institutional investors rushed to place sell orders. Stocks which attracted demand following Mr Tomiichi Murayama's resignation as prime minister last week declined on profit-taking.

Volume totalled 521m shares, against 732m. Overseas investors and individuals remained active buyers of large-capitalisation stocks, but brokerage dealers refrained from activity.

The Topix index of all first section stocks finished 10.61 off at 1,621.42 and the Nikkei 300 shed 2.63 to 305.35. Of the 1,255 issues listed on the first section, declines led advances by 596 to 493 with 131 issues remaining unchanged.

In London the ISE/Nikkei 50 index edged up 0.54 to 1,442.82.

Traders said that domestic institutions, and especially banks which were expected to write off bad loan losses, were leading profit-takers during the day. Nikko Securities said that it expected some Y1,500bn to Y2,000bn to be sold by domestic institutions during the three months to the March book closing.

Electronics shares declined in spite of the fall in the yen. Toshiba, the most active issue of the day, slipped Y10 to Y853 on profit-taking, while Matsushita Electric Industrial receded Y30 to Y1,740.

Oil refiners rallied on higher crude oil prices. Teikoku Oil moved ahead Y26 to Y738 and Showa Shell Sekiyu gained Y17 at Y925. Higher gold prices supported mining stocks. Individual investors bought Sumitomo Metal Mining, which rose Y35 to Y1,030.

Private investors also focused on speculative favourites. Takara Shuzo, a *shochu*, or alcoholic drinks maker, jumped Y100 to Y1,110 and Daido Steel Sheet soared Y220 to Y1,820.

Construction issues, which gained ground last Friday, encountered profit-taking. Some investors had hoped that a new prime minister from the Liberal Democratic party would raise public works spending. Taisei dipped Y10 to Y734 and Obayashi declined Y23 to Y857.

Profit-taking also depressed brokerage stocks, which had been bought on expectations of better profits due to the higher trading volumes on the stock market. Nomura Securities shed Y10 to Y2,390 and Nikko Securities fell Y40 to Y1,380.

In Osaka, the OSE average eased 107.08 to 22,062.55 in volume of 87.2m shares.

Roundup

A fightback over the weekend, and yesterday, came in TAIPEI, where the market dropped 6.7 per cent last Friday after the Taiwan parliament proposed the reintroduction of capital gains tax, which was abolished in 1990.

Traders were convinced that the government would not want a market plunge before the March presidential elections. The weighted index recovered 1 per cent on Saturday, and a further 1.8 per cent or 87.65 yesterday at 4,934.86. Turnover was T$32bn.

President Lee Teng-hui said on Sunday that he disagreed with a stock capital gains tax bill passed last week. Parliament was scheduled to review the reintroduction of a stock capital gains tax bill today.

Lower-priced and speculative stocks led yesterday's gains. Hotels rose 3.2 per cent, and textiles 3 per cent.

SYDNEY was lifted by the strong gold price, and the All Ordinaries index closed 14.2 up at 2,274.9, the golds index sprinting ahead with a 3.15 per cent gain following Friday's New York rise of 95 US cents to $395.50 in the bullion price.

Turnover was A$512m. Resolute Samantha and Newcrest Mining were the highlights among gold stocks, rising 12 cents to A$3.28 and 9 cents to A$6.33 respectively. Qantas eased 2 cents to A$2.26 after a short strike by its international flight attendants.

KUALA LUMPUR put on 1.2 per cent on a continued accumulation of blue chip shares by institutions, while second line issues advanced afresh on speculative buying. The composite index ended 12.48 higher at 1,054.54.

United Engineers relinquished 30 cents at M$17.10 in reaction to news of a weekend landslide at a highway operated by a subsidiary.

Pernas International and its warrants topped active stocks on rumours of a management buyout and business restructuring. Pernas jumped 59 cents to M$2.98 and the warrants rose 18.5 cents to M$1.06.

HONG KONG reversed steep early gains to close moderately lower after the mood was soured by speculation about various fund-raising exercises.

The Hang Seng index lost a net 63.23 at 10,466.67, having turned back from a high for the day of 10,617.98. Turnover shrank to HK$5.6bn from Friday's HK$9.5bn.

Analysts attributed the afternoon tumble to talk of a Hysan share placement, later denied by an official, and of a covered warrant issue on China Gas.

Hysan tumbled 60 cents to HK$21.30, while China Gas put on 10 cents at HK$12.90.

Soft drinks maker Vitasoy lost 20 cents at HK$2.975 in reaction to its recall of a large batch of products suspected of bacterial contamination.

SINGAPORE was firm, though off the morning's high when prices briefly touched a 14-month peak. The Straits Times Industrial index was finally 20.34 ahead at 2,385.87 after touching 2,400.23.

Analysts noted that strong demand for speculative Malaysian over-the-counter issues took the UOB OTC index for Malaysian stocks up 25.10 to 1,129.53.

SEOUL was higher on news reports that the government would soon announce steps to boost the recently depressed market.

The composite index ended 8.45 firmer at 866.81 as speculation grew that the Finance Ministry would expand the foreign stock ownership limit faster than originally planned.

Brokers noted that small-capitalisation shares were in demand after their recent unpopularity.

Dong Yang Textile went limit up to Won9,040, a rise of Won510, and Kabul Spinning also rose to its daily upper limit of Won9,550, up Won540.

BOMBAY was weak as speculators pressured prices of most leading stocks ahead of the expected introduction of carry forward trade on January 15.

The BSE 30-share index retreated 45.67 to 3,003.19. Reliance lost Rs6.75 to Rs195.75 on the BSE and dropped Rs9.80 to Rs192.70 on the National Stock Exchange (NSE).

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS — FRIDAY JANUARY 5 1996

Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (81)	194.42	-0.1	185.63	128.87	145.30	173.68	0.1	3.65
Austria (26)	183.47	2.8	175.17	121.61	137.11	136.99	1.5	1.52
Belgium (34)	213.69	1.3	204.03	141.65	159.70	155.69	-0.1	3.36
Brazil (28)	149.74	-0.1	142.97	99.26	111.91	267.94	-0.1	1.64
Canada (101)	153.14	0.5	146.22	101.51	114.45	150.53	0.7	2.48
Denmark (33)	294.02	0.4	280.72	194.89	219.73	222.36	-0.8	1.47
Finland (24)	182.85	-1.9	174.58	121.20	136.65	166.74	-2.8	1.91
France (100)	182.60	0.5	174.34	121.04	136.46	141.05	-0.5	3.09
Germany (60)	167.93	1.6	160.34	111.32	125.50	125.50	0.2	1.91
Hong Kong (59)	407.69	-0.2	389.26	270.25	304.69	404.84	-0.2	3.54
Ireland (16)	262.41	0.0	250.54	173.94	196.11	230.68	-0.6	3.32
Italy (59)	73.40	-1.1	70.08	48.65	54.85	86.59	-1.6	1.69
Japan (482)	157.99	1.2	150.84	104.72	118.07	104.72	0.0	0.75
Malaysia (108)	510.43	0.0	487.36	338.35	381.47	501.68	-0.3	1.65
Mexico (18)	1157.94	0.3	1105.56	767.55	865.37	9583.82	0.4	1.45
Netherland (19)	276.97	0.5	264.44	183.59	206.99	203.46	-0.5	3.21
New Zealand (14)	81.69	-0.9	77.99	54.15	61.05	68.04	-1.2	4.39
Norway (33)	238.47	0.7	227.69	158.08	178.22	205.17	-0.4	2.04
Singapore (44)	426.22	0.5	406.95	282.53	318.54	279.50	-0.1	1.44
South Africa (45)	408.78	0.9	390.29	270.96	305.49	324.22	0.9	3.65
Spain (38)	168.46	0.6	160.84	111.67	125.90	154.45	-0.6	3.88
Sweden (47)	319.71	-0.3	305.26	211.93	238.94	313.05	-0.8	1.92
Switzerland (40)	239.55	0.9	228.72	158.79	179.02	172.14	-0.6	1.55
Thailand (46)	182.70	-0.5	174.44	121.11	136.54	176.96	-0.6	2.28
United Kingdom (206)	231.72	0.0	221.25	153.60	173.18	221.25	-0.3	4.19
USA (636)	250.88	-0.3	239.53	166.30	187.49	250.88	-0.3	2.26
Americas (783)	229.26	-0.2	218.90	151.97	171.34	192.65	-0.2	2.24
Europe (735)	203.53	0.4	194.33	134.91	152.11	172.55	-0.4	3.04
Nordic (137)	280.70	-0.3	268.01	186.07	209.78	237.86	-1.0	1.85
Pacific Basin (834)	169.20	0.9	161.55	112.16	126.45	115.61	-0.1	1.15
Euro-Pacific (1569)	183.39	0.7	175.10	121.56	137.05	137.30	-0.2	2.03
North America (737)	244.80	-0.2	233.73	162.27	182.95	244.11	-0.2	2.26
Europe Ex. UK (529)	183.66	0.6	175.35	121.74	137.26	145.61	-0.5	2.40
Pacific Ex. Japan (352)	276.13	-0.1	263.65	183.04	206.37	243.65	-0.2	3.03
World Ex. US (1761)	184.71	0.7	176.35	122.43	138.04	141.31	-0.2	2.07
World Ex. UK (2191)	202.03	0.3	192.89	133.92	150.98	163.09	-0.2	1.93
World Ex. Japan (1915)	231.19	0.0	220.73	153.24	172.77	216.21	-0.3	2.59
The World Index (2397)	204.65	0.3	195.40	135.66	152.94	172.86	-0.2	2.14

THURSDAY JANUARY 4 1996 — DOLLAR INDEX

Figures in parentheses show number of lines of stock	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	194.71	186.35	130.59	147.44	173.58	195.49	157.95	166.08
Austria (26)	178.42	170.75	119.66	135.10	134.97	199.28	167.48	180.68
Belgium (34)	211.03	201.95	141.53	159.79	155.78	213.69	166.52	166.52
Brazil (28)	149.83	143.38	100.48	113.45	268.12	160.23	86.06	152.22
Canada (101)	152.46	145.90	102.25	115.44	149.51	153.14	121.81	127.91
Denmark (33)	292.78	280.19	196.36	221.70	224.25	295.99	246.19	255.16
Finland (24)	186.47	178.45	125.06	141.20	171.51	276.11	171.13	188.62
France (100)	181.72	173.90	121.87	137.60	141.78	191.17	157.79	162.02
Germany (60)	165.32	158.21	110.88	125.18	125.18	167.93	139.11	140.15
Hong Kong (59)	408.53	390.97	273.99	309.35	405.66	408.53	277.40	315.64
Ireland (16)	262.50	251.22	176.05	198.77	231.95	262.50	204.97	210.07
Italy (59)	74.23	71.04	49.79	56.21	88.03	82.71	65.45	75.86
Japan (482)	156.18	149.47	104.75	118.27	104.75	164.82	136.95	153.91
Malaysia (108)	510.49	488.56	342.37	386.56	503.31	561.86	398.16	472.34
Mexico (18)	1154.44	1104.81	774.25	874.16	9546.59	1247.33	647.81	1232.34
Netherland (19)	275.60	263.75	184.84	208.69	205.12	277.96	214.99	215.12
New Zealand (14)	82.46	78.91	55.30	62.44	66.82	85.49	69.74	69.74
Norway (33)	236.73	226.56	158.76	179.25	205.98	243.79	202.76	210.11
Singapore (44)	424.30	406.07	284.57	321.30	279.77	426.22	313.94	375.94
South Africa (45)	404.95	387.54	271.59	306.64	321.41	408.78	281.06	331.14
Spain (38)	167.44	160.25	112.30	126.79	155.43	168.91	124.10	129.26
Sweden (47)	320.72	306.94	215.10	242.86	315.54	324.31	232.23	237.76
Switzerland (40)	237.35	227.15	159.18	179.73	173.14	239.55	182.35	164.81
Thailand (46)	183.58	175.69	123.12	139.01	180.04	184.56	130.15	158.88
United Kingdom (206)	231.79	221.82	155.45	175.52	221.82	232.09	191.53	192.72
USA (636)	251.56	240.75	168.72	190.49	251.56	253.50	188.41	188.41
Americas (783)	229.82	219.94	154.13	174.02	193.10	231.18	173.84	174.19
Europe (735)	202.72	194.01	135.96	153.50	173.27	204.32	167.08	167.57
Nordic (137)	281.49	269.39	188.79	213.15	240.30	295.02	222.22	229.14
Pacific Basin (834)	167.66	160.45	112.44	126.95	115.68	171.87	145.93	161.08
Euro-Pacific (1569)	182.16	174.32	122.17	137.93	137.61	183.39	154.73	163.68
North America (737)	245.41	234.86	164.59	185.83	244.70	246.93	184.66	184.66
Europe Ex. UK (529)	182.49	174.65	122.39	138.19	146.36	184.61	149.53	150.34
Pacific Ex. Japan (352)	276.48	264.59	185.43	209.36	244.13	276.48	211.19	233.01
World Ex. US (1761)	183.48	175.59	123.06	138.93	141.56	184.71	155.42	164.60
World Ex. UK (2191)	201.40	192.74	135.07	152.51	168.44	202.03	163.46	169.38
World Ex. Japan (1915)	231.18	221.24	155.05	175.05	216.81	232.30	181.60	182.69
The World Index (2397)	204.08	195.31	136.87	154.53	173.24	204.65	165.92	171.44

CONSTITUENT CHANGES WITH EFFECT 9/1/96: Deletions: Groupe De La Cite (France) and Kemper Corp (USA). Latest prices were unavailable for this edition.